REPUBLIC OF MOZAMBIQUE

Women’s Entrepreneurship And Skills Development for Food Security: Pilot Project

APPRaisal Report

AGRICULTURE AND RURAL DEVELOPMENT DEPARTMENT (ONAR) NOVEMBER 2005
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This Appraisal Report was prepared by Ms. Sunita Pitamber, Senior Gender Specialist (Team Leader) and Mr. Joseph Coompson, Principal Agricultural Economist following their mission to Mozambique in June 2005. Additional enquiries on this report should be addressed to Mr. B. B. Sidibe, Director, ONAR (Ext. 2037).
AFRICAN DEVELOPMENT FUND
Temporary Relocation Agency (TRA)
B.P. 323, 1002 Tunis Belvedere
TUNISIA
TEL: (216) 71 333 511
FAX: (216) 71 10 34 35
EMAIL: afdb@afdb.org

PROJECT INFORMATION SHEET

The information given hereunder is intended to provide guidance to prospective suppliers, contractors and all persons interested in the procurement of goods and services for projects approved by the Board of Directors of the Bank Group. More detailed information and guidelines should be obtained from the Executing Agency of the Recipient.

1. COUNTRY    Republic of Mozambique
2. NAME OF PROJECT    Food Security Support and Gender Entrepreneurship Development Pilot Project
3. LOCATION
4. RECIPIENT    The Government of Mozambique
5. EXECUTING AGENCY    The Ministry of Women and Social Action
   Rua Carlos Albens 57
   Maputo - Mozambique
   Tel: +258-1-49 79 01
   Fax: +258-1-49 17 29

6. DESCRIPTION OF THE PROJECT: The Project will comprise two components: (i) Rural Livelihoods Promotion and Marketing Support; (ii) Institutional Support.

7. TOTAL COST   : UA 2.81
   Foreign Cost   : UA 1.33
   Local Cost   : UA 1.48

8. BANK GROUP GRANT    UA 2.51
9. Other Sources of Financing: GOM: UA 284,100
   Beneficiaries: UA 13,200

10. ESTIMATED STARTING DATE  AND DURATION    January 2006
    48 months

11. PROCUREMENT: Procurement of goods and services financed from the ADF grant will be in accordance with the Bank's Rules and Procedures for Procurement of Goods and Works, and the Bank’s Guidelines for the use of Consultants, as follows: (i) procurement of office equipment and food processing technology will be National Shopping (NS), (ii) training will be provided by local institutions, which will be selected on the basis of the type of training offered, through shortlist and direct contracting.

12. CONSULTANCY SERVICES: Technical assistance services would be required for 48 person months, a procurement expert for 6 person months, a financial analyst for 3 months, and an M&E expert for 6 person months. 1 technical assistant will be recruited during the first year of the project, procurement expert, financial analyst, M&E expert will be recruited within the first three months of the project and will continue for their respective period.
CURRENCY AND MEASURES

Currency Equivalents

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<th>Currency Unit</th>
<th>Equivalent</th>
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<td>UA 1.00</td>
<td>28,413.80</td>
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<tr>
<td>USD 1.00</td>
<td>20,000.00</td>
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Weights and Measures

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<tr>
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<th>Equivalent</th>
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<tbody>
<tr>
<td>1 kilogram (kg)</td>
<td>2.204 pounds (lb)</td>
</tr>
<tr>
<td>1 000 kg</td>
<td>1 metric tonne (t)</td>
</tr>
<tr>
<td>1 kilometre (km)</td>
<td>0.62 miles (mi)</td>
</tr>
<tr>
<td>1 metre (m)</td>
<td>1.09 yards (yd)</td>
</tr>
<tr>
<td>1 square metre (m²)</td>
<td>10.76 square feet (ft²)</td>
</tr>
<tr>
<td>1 acre (ac)</td>
<td>0.405 ha</td>
</tr>
<tr>
<td>1 hectare (ha)</td>
<td>2.47 acres</td>
</tr>
</tbody>
</table>

GOM - Fiscal Year

1st January to 31st December

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### ABBREVIATIONS AND ACRONYMS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>ACTIVA</td>
<td>Association of Women in the Economy</td>
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<td>AfDB</td>
<td>African Development Bank</td>
</tr>
<tr>
<td>CIDA</td>
<td>Canadian International Development Agency</td>
</tr>
<tr>
<td>CLUSA</td>
<td>Cooperative League of the United States of America</td>
</tr>
<tr>
<td>CSP</td>
<td>Country Strategy Paper</td>
</tr>
<tr>
<td>CTA</td>
<td>Confederation of Business Associations in Mozambique</td>
</tr>
<tr>
<td>DNM</td>
<td>National Directorate for Women</td>
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<tr>
<td>EU</td>
<td>European Union</td>
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<tr>
<td>FDC</td>
<td>Fund for Community Development</td>
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<tr>
<td>FFP I</td>
<td>The Small Industry Development Fund</td>
</tr>
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<td>GAPI</td>
<td>The Small Investments Promotion Company Limited</td>
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<td>GPSCA</td>
<td>Office for the Promotion of Commercial Agriculture</td>
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<tr>
<td>GTZ</td>
<td>German Technical Cooperation</td>
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<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
</tr>
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<td>INAS</td>
<td>National Institute of Social Action</td>
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<tr>
<td>INE</td>
<td>National Institute of Statistics</td>
</tr>
<tr>
<td>INNOQ</td>
<td>National Institute of Standards and Quality</td>
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<td>IPEX</td>
<td>Mozambique Export Promotion Institute</td>
</tr>
<tr>
<td>IRAM</td>
<td>Institute for Research and Application of Development Methods</td>
</tr>
<tr>
<td>MDG</td>
<td>Millennium Development Goals</td>
</tr>
<tr>
<td>MFI</td>
<td>Micro-finance Institution</td>
</tr>
<tr>
<td>MIC</td>
<td>Ministry of Industry and Commerce</td>
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<tr>
<td>MMAS</td>
<td>Ministry of Women and Social Action</td>
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<tr>
<td>MMCGP</td>
<td>Mozambique Multi-sector Country Gender Profile</td>
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<td>MSME</td>
<td>Micro, Small and Medium Enterprises</td>
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<td>NGOs</td>
<td>Non-Governmental Organisations</td>
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<td>NPSG</td>
<td>National Policy and Strategy on Gender</td>
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<td>PARPA</td>
<td>Politica para a Reducao da Pobreza Absoluta (National Poverty Reduction Strategy Paper)</td>
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<td>PNAM</td>
<td>Plano Nacional para o Avanço da Mulher (National Action Plan for the Advancement of Women)</td>
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<td>PSC</td>
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<td>RUFISP</td>
<td>Rural Finance Intermediation and Support Programme</td>
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<td>SME</td>
<td>Small and Medium Enterprise</td>
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<td>SNQ</td>
<td>National Quality System</td>
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<td>TA</td>
<td>Technical Assistance</td>
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<tr>
<td>TMIC</td>
<td>Trade Information and Market Development Division</td>
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<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
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<tr>
<td>UNIDO</td>
<td>United Nations Industrial Development Organisation</td>
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<tr>
<td>USAID</td>
<td>United States Agency for International Development</td>
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Mozambique
COMPARATIVE SOCIO-ECONOMIC INDICATORS

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<th>Africa</th>
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<td>2000</td>
<td>300.2</td>
<td>20.061</td>
<td>30.976</td>
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<td>Urban Population (% of Total)</td>
<td>2000</td>
<td>47.6</td>
<td>52.2</td>
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<td>Population Density (per Km²)</td>
<td>2000</td>
<td>23.5</td>
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<td>Child per Capita (US $)</td>
<td>2005</td>
<td>210.0</td>
<td>70.4</td>
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<td>Labor Force Participation - Total (%)</td>
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<td>Labor Force Participation - Female (%)</td>
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<td>Human Development Index (Rank among 174 countries)</td>
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<td>0.476</td>
<td>0.655</td>
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<td>Child Mortality Rate (per 1,000)</td>
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<td>40.7</td>
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<tr>
<td>Under-5 Mortality Rate (per 1,000)</td>
<td>2000</td>
<td>120.1</td>
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<td>Under-5 Mortality (Per 1,000)</td>
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<td>Underweight Children (% of children under 5 years)</td>
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<td>26.1</td>
<td>25.9</td>
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<td>Daily Calorie Supply per Capita</td>
<td>2000</td>
<td>2,679</td>
<td>2,444</td>
<td>2,679</td>
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<td>Public Expenditure on Health (% of GDP)</td>
<td>1994</td>
<td>8.8</td>
<td>8.8</td>
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<td>Area (Km²)</td>
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<td>Population Growth Rate - Total (%)</td>
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<td>Population Growth Rate - Urban (%)</td>
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<td>Vital Statistics (per 1,000)</td>
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<td>Birth Rate</td>
<td>1990</td>
<td>28.5</td>
<td>26.8</td>
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<td>Life Expectancy at Birth - Total (years)</td>
<td>2000</td>
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<td>Life Expectancy at Birth - Female (years)</td>
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<td>Crude Birth Rate (per 1,000)</td>
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<td>Crude Death Rate (per 1,000)</td>
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<td>Infant Mortality Rate (per 1,000)</td>
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<td>Illicit Drug Consumption (%)</td>
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<td>Health &amp; Nutrition Indicators</td>
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<td>Physicians (per 10,000 people)</td>
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<td>Nurses (per 100,000 people)</td>
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<td>Access to Safe Water (% of Population)</td>
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<td>Access to Health Services (% of Population)</td>
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<td>Access to Sanitation (% of Population)</td>
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<td>Illiterate Children (Aged 15-49) Living with HIV/AIDS Group</td>
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<td>Incidence of Tuberculosis (per 100,000)</td>
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<td>Child Immunization Against Tuberculosis (%)</td>
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<td>Per Capita Income per Capita</td>
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<td>2,679</td>
<td>2,444</td>
<td>2,679</td>
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<td>Public Expenditure on Health (% of GDP)</td>
<td>1994</td>
<td>8.8</td>
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<td>Education Indicators</td>
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<td>Gross Enrolment Rate (%)</td>
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<td>Primary School - Total</td>
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<td>Primary School - Female</td>
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<td>Secondary School - Total</td>
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<td>12.9</td>
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<td>Secondary School - Female</td>
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<td>Primary School Female Teaching Staff (% of Total)</td>
<td>2000</td>
<td>22.5</td>
<td>46.5</td>
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<td>Adult Literacy Rate (Total)</td>
<td>2000</td>
<td>52.2</td>
<td>24.9</td>
<td>26.6</td>
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<tr>
<td>Adult Illiteracy Rate - Male (%)</td>
<td>2000</td>
<td>37.7</td>
<td>26.4</td>
<td>19.0</td>
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<tr>
<td>Adult Illiteracy Rate - Female (%)</td>
<td>2000</td>
<td>67.7</td>
<td>45.2</td>
<td>34.2</td>
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<tr>
<td>Percentage of GDP Spent on Education</td>
<td>1994</td>
<td>5.0</td>
<td>6.7</td>
<td>3.8</td>
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<tr>
<td>Environmental Indicators</td>
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<tr>
<td>Land Use (Agricultural Land as % of Total Land Area)</td>
<td>2000</td>
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<td>6.2</td>
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<td>Annual Rate of Deforestation (%)</td>
<td>1996</td>
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<td>0.4</td>
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<tr>
<td>Annual Rate of Reafforestation (%)</td>
<td>1990</td>
<td>4.0</td>
<td>10.9</td>
<td>-</td>
</tr>
<tr>
<td>Per Capita CO2 Emissions (metric tons)</td>
<td>1990</td>
<td>0.1</td>
<td>1.2</td>
<td>1.9</td>
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</table>

Source: Complied by the Statistics Division from ADB databases; UNAIDS: World Bank; Live Database and United Nations; Population Division
Notes: n.a. Not Applicable; ... Data Not Available.
## BASIC DATA SHEET

**Mozambique: Women’s Entrepreneurship and Skills Development for Food Security: Pilot Project**

<table>
<thead>
<tr>
<th>HIERARCHY OF OBJECTIVES</th>
<th>EXPECTED RESULTS BY Sector And Theme</th>
<th>REACH</th>
<th>PERFORMANCE INDICATORS, Source And Method</th>
<th>INDICATIVE TARGETS TIMEFRAME</th>
<th>Main Assumptions And Risks</th>
</tr>
</thead>
</table>
| 1. Contribute to increased household food security and to reduced poverty for rural women in a sustainable way. | 1. Increased food security and Increased rural income | 1. Rural women in eight districts of two provinces: Manica and Sofala | Proportion of households facing food security. *Source:* Vulnerability Assessment Group Reports, National statistics; PARPA; Impact assessment study | 1. Proportion of rural households facing food insecurity periods reduced from three months to one month by 2009 | Assumption statement
Continued focus on food security coping strategies in GOM policy. Risk Mitigation
The country has taken a policy decision through the PARPA to put increased focus on women’s poverty reduction and women’s food’s security strategies. |

### Project Objective
To reduce household food insecurity levels and duration and provide entrepreneurship and technical skills in food processing;

<table>
<thead>
<tr>
<th>Activities/ Inputs</th>
<th>Sector theme: short term Outputs</th>
<th>Beneficiaries</th>
<th>Indicators: short term outputs</th>
<th>Target indicators (total) timeframe.</th>
<th>Assumption Statement/ Risk Mitigation</th>
</tr>
</thead>
</table>
| Rural Livelihoods Skills Promotion and Marketing Support | Rural women trained | Rural women | 175 training sessions for rural women trained in basic business management skills by 2007 | 350 training sessions for rural women trained in basic business management skills by 2009 | Assumption statement
Qualified and experienced service delivery providers recruited in time
Risk mitigation
There are sufficient number of training service providers who are willing to provide services in the rural areas. |

1. Deliver basic business management training

2. Deliver agro-processing technical skills training

| Rural women trained | Rural women | 175 training sessions in variety of agro-processing skills for rural women undertaken by 2009 | 350 training sessions in variety of agro-processing skills for rural women undertaken by 2009 | Assumption statement
Production of primary agriculture commodities needed for raw materials will continue to be available. Risk Mitigation
The agriculture and vegetable production in |
the selected provinces have reported increased growth over the past two years.

| 3. Deliver advanced business start-up and entrepreneurship development training | Rural women trained | Rural women | 20 training sessions for rural women entrepreneurs undertaken by 2007 | 90 training sessions for rural women entrepreneurs undertaken by 2009 |
| 4. Assist trained and interested female entrepreneurs to form business associations. | Business associations established | Rural Women | 60 women’s business associations established by 2007 | 150 women’s business associations established by 2009 |
| 5. Procure and deliver agro processing technology and train women on their use | Rural women received equipment and trained | Rural women | 175 items of diverse agro processing technology procured and 175 beneficiary women groups trained in their use by 2007 | 350 items of diverse agro processing technology procured and 350 beneficiary women groups trained in their use by 2009 |
| 6. Link trained agro processors to private sector operators | Rural women linked to private sector outlets | Rural women | 10 women’s groups linked to at least 5 private sector operators in respective processed products by 2007 | 50 women’s groups linked to at least 15 private sector operators in respective processed products by 2009 |
| 7. Deliver quality control training | Rural women trained | Rural women | 60 women’s business associations are trained in quality control by 2007 | 200 women’s business associations are trained in quality control by 2009 |
| 8. Develop quality control and standardization guidelines | Guidelines developed and distributed | Rural women | Standardization and quality control guidelines produced for 2 products by 2007 | Standardization and quality control guidelines produced for 3 products by 2009 |
| 9. Conduct quality control and standardization inspection visits | Inspection visits carried out | Rural women | 225 quality control and standards inspection visits will be undertaken by 2007 | 875 quality control and standards inspection visits will be undertaken by 2009 |
| 10. Certification of products | Products certified | Rural women | At least 2 products have been given certification by 2008 | At least 2 products have been given certification by 2008 |
| 11. Marketing strategies designed and delivered | Rural women access new market opportunities | Rural women | • 2 representatives of 5 groups will participate in 1 national trade fair by 2007
• 2 representatives from 10 groups will participate in 1 regional trade fair by 2007
• 2 representatives from each group will be part of 2 networking visits by 2007 | • 2 representatives of 10 groups will participate in 2 national trade fairs in 2009,
• 2 representatives from 20 groups will participate in 4 regional trade fairs by 2009,
• 4 representatives from each group will be part of 4 networking visits by 2009;
• 1 representative from 20 groups will be part of 4 regional study tours by 2009; |
- 1 representative from 10 groups will be part of 2 regional study tour in 2007

12. Success stories identified and documented  

<table>
<thead>
<tr>
<th>Rural women, private sector operators</th>
<th>Rural women, private sector operators</th>
<th>• 3 success stories identified and documented by 2008.</th>
<th>• 5 success stories identified and documented by 2009.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>• 2000 pamphlets documenting the success stories published and disseminated by 2008</td>
<td>• 4000 pamphlets documenting the success stories published and disseminated by 2009</td>
</tr>
</tbody>
</table>

UA 1.87 Million

Institutional Support

<table>
<thead>
<tr>
<th>1. Conduct gender sensitisation and training</th>
<th>Communities, Provincial and district staff trained</th>
<th>Communities, Provincial and district staff</th>
<th>70 gender and women’s economic rights awareness campaigns undertaken by 2007</th>
<th>150 gender and women’s economic rights awareness campaigns undertaken by 2009,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Assumption statement Trained staff are not attracted to leave civil service</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Risk mitigation The training for project staff is short term local training which will be specific to project implementation and supervision activities.</td>
</tr>
</tbody>
</table>

2. Conduct HIV/AIDS awareness raising

<table>
<thead>
<tr>
<th>Communities, Provincial and district staff trained</th>
<th>Communities, Provincial and district staff</th>
<th>95 HIV/AIDS awareness raising campaigns undertaken by 2007</th>
<th>200 HIV/AIDS awareness raising campaigns undertaken by 2009,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Assumption statement Incidence of HIV/AIDS does not increase</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Risk mitigation The project will provide extensive awareness raising and advocacy on the threat of the disease to all beneficiaries and stakeholders.</td>
<td></td>
</tr>
</tbody>
</table>

3. Project office equipment purchased

<table>
<thead>
<tr>
<th>Equipment procured</th>
<th>DNM/ MMAS: Maputo, Provincial and district offices</th>
<th>8 computer sets for district administration, 2 sets for provincial administration, and 2 sets for PMT, purchased by 2007</th>
<th>8 computer sets for district administration, 2 sets for provincial administration, and 2 sets for PMT, purchased by 2007</th>
</tr>
</thead>
</table>

4. Vehicle purchased

<table>
<thead>
<tr>
<th>Vehicle purchased</th>
<th>DNM/ MMAS Maputo</th>
<th>1 vehicle for PMT purchased by 2007</th>
<th>1 vehicle for PMT purchased by 2007</th>
</tr>
</thead>
</table>

5. Motorcycles purchased

<table>
<thead>
<tr>
<th>Motorcycles purchased</th>
<th>Provincial and district offices</th>
<th>10 motorbikes purchased by 2007</th>
<th>10 motorbikes purchased by 2007</th>
</tr>
</thead>
</table>

6. Technical assistants, accountant, and short term consultants recruited

<table>
<thead>
<tr>
<th>Short and long term staff recruited</th>
<th>DNM/ MMAS Maputo</th>
<th>Number of short and long term staff recruited</th>
<th>• 1 project Coordinator recruited by 2007;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>• 1 technical assistant in entrepreneurship development and promotion recruited by 2007,</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• 1 short term procurement consultant in place by 2007</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• 1 short term M&amp;E expert in place by 2007</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• 1 short term consultant financial analyst in place by 2007</td>
</tr>
</tbody>
</table>
7. Project staff trained

- Project staff trained
- DNM/ MMAS: Maputo, Provincial and district office staff
- 3 DNM Headquarters staff, 15 provincial and district MMAS staff and 8 district agriculture officers undergo computer and English language proficiency training by 2007
- 3 DNM Headquarters staff, 15 provincial and district MMAS staff, 8 district agriculture officers, 15 provincial and district MMAS staff and further 8 district agriculture officers undergo computer and English language training by 2009

**Assumption Statement.**
The number of positions as counterpart staff are not satisfactorily filled before start of the project.

**Risk Mitigation**
GOM is already in the process of recruiting qualified and relevant staff for the respective vacant positions. The issue will also be maintained as a project condition.

8. Project staff trained

- Project staff trained
- DNM/ MMAS: Maputo, Provincial and district office staff
- 3 DNM Headquarters staff, 15 provincial and district MMAS staff and 8 district agriculture officers undergo training in project management and implementation and development planning by 2007
- 3 DNM Headquarters staff, 15 provincial and district MMAS staff, 8 district agriculture officers 15 provincial and district MMAS staff, and 8 district agriculture officers undergo training in project management and implementation and development planning by 2009

9. Project coordination mechanism established

- Project management team nominated
- DNM/ MMAS Maputo
- Number of project staff nominated
  - 1 project coordinator recruited by 2007
  - 1 Gender and HIV/ AIDS expert nominated by 2007
  - 1 Project secretary nominated by 2007
  - Office space allocated by 2007

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>UA 628,400</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
EXECUTIVE SUMMARY

Project Background

1. Central and Southern Mozambique has been increasingly exposed to erratic rainfalls and extended spells of drought exposing small holder farmer households to between 3 to 5 months of food insecurity and stress periods. The Technical Secretariat on Food Security and Nutrition (Ministry of Agriculture) Vulnerability Assessment concluded that at least 8% of the population in these regions were at direct risk to food insecurity in 2003/2004 and may need emergency assistance. The GOM expects this situation to worsen and the household food security situation to become more vulnerable in the coming agriculture seasons. A Government led action plan to mitigate the impact of drought includes multiplication and diversification of cassava and sweet potato, promoting agro-processing to reduce the average post-harvest food insecure period from three months to at least one month, expand economic activities beyond the agriculture season in order to avail off-season income opportunities, and promote integrated food education programmes with a view to improving the family diet. Thus, the Project has been designed as a pilot intervention as it seeks to build and expand on a broader scale some experiences available in the Country (Africare, Care International, and World Vision). The pilot project will seek to generate replicable experiences with regards to agro-processing as a means to enhance household food security, through increasing the shelf life of food produce which would have otherwise gone to waste through spoilage. To date, existing experience has been tested in certain communities within a framework of agriculture production combined with some agro-processing. Thus, the present pilot project will generate information and lessons learnt on the: (i) attractiveness of certain produce for agro-processing amongst rural agriculture households, (ii) influencing the food consumption patterns among rural food vulnerable households by providing processed food sources during food stress periods, and (iii) the viability of micro-scale agro-processing as a strategy for diversification of rural agriculture incomes.

Purpose of the Grant

2. The purpose of the grant is to provide resources not exceeding UA 2,805,400 to meet all the foreign exchange and some of the local cost requirements (training, producing guidelines, as well as procurement of office equipment and other technology) for the proposed rural entrepreneurship capacity building activities.

Sector Goal and Project Objective

3. The sector goal of the project is to contribute to increased capacity for improved household food security and to reduced poverty for rural women in a sustainable way. The project objectives are to (i) improve household skills for reducing food insecurity levels and duration, (ii) to build capacity in entrepreneurship and technical skills for food processing; (iii) to build the capacity at the national and provincial levels for gender mainstreaming and HIV/ AIDS in the planning process.

Brief Description of the Project's Outputs

4. The Food Security Support and Gender Entrepreneurship Development Pilot Project will support 4,500 women in 8 districts in two provinces. The project will comprise two components: 1) Rural Livelihoods Skills Promotion and Marketing Support component will provide entrepreneurship and business management training, technical skills training in selected agro
processing activities, and support to marketing activities and private sector linkage development. The technical skills training will be demand driven in that the women will select the activity of their interest from a menu of agro-processing activities. Production equipment will be procured under this component. 2) Institutional Support component will provide training in project management, computer software skills, to the DNM office as well as the Provincial and District MMAS office and eight District agriculture offices. The component will also provide office automation and transportation for monitoring and evaluation at the community level.

**Project Cost**

5. The total project cost including physical and price contingencies are estimated at UA 2.81 million or MZM 80.53 billion. The foreign exchange component of the project cost is estimated at about UA 1.33 (47% of the total cost) while local cost will amount to about UA 1.48 (53% of the total project cost). According to the project’s assessment and experience in other on-going donor projects in the country, most of the services can be sourced locally especially the training in business management skills which will entail training women in rural areas. 5% physical contingencies have been assumed for equipment, training, studies and recurrent costs; and 0% for the other expenditure categories. The cost estimates are based on the June 2005 prices.

**Sources of Financing**

6. The ADF funding to the Project will be to the tune of UA 2.51 (equivalent to 89.4% of the total project cost). This will be for the investment cost items namely equipment, training, studies and preparation guidelines for the standardisation of products, technical assistance and some of the recurrent cost items, such as field allowances for project staff. The GOM will support the project to the tune of UA 284,100 (10.1%). This will cover the costs of salaries and office running expenses for the participation of the DNM/ MMAS in the project. The beneficiaries will contribute UA 13,200 (0.5% of the total project cost, equivalent to 20% of the matching grants).

**Project Implementation**

7. The MMAS will appoint or assign three staff members, from its own resources, for the following positions of Gender and HIV/ AIDS Expert, project accountant and secretary, allocate office space for them and the short and long term technical assistants and consultants. A Project Coordinator will be recruited from project resources to head the project management team (PMT). A procurement consultant and a monitoring and evaluation expert will be recruited and supported by the project on a short term basis in PY1. A short-term (3 months) financial analyst will be recruited from project funds who will be responsible in assisting the project accountant to put in place a comprehensive accounting and financial management and reporting systems, including maintaining daily records of transaction pertaining to project activities. The Project Coordinator will be responsible for the coordination and implementation of the project activities for all the beneficiaries under the project, as well as preparation and submission of the relevant progress reports and Quarterly Progress Reports (QPR) to the Bank. Furthermore, the Project Coordinator will oversee the recruitment of relevant individual consultants and/ or firms or NGOs for the implementation of the training activities. The Project Management Team will report regularly to the Steering Committee and receive feedback, and undertake all procurement and disbursement functions under the project.
Conclusion and Recommendations

8. The capacity of rural women to reduce their poverty and increase their household food security has been found to need urgent attention and strengthening in Mozambique. The proposed project will help to establish entrepreneurial and agro processing technical skills amongst rural women and reduce food stress periods amongst rural small holder farmer households and support off-farm and off-season income generation activities in the respective communities. It is recommended that a grant not exceeding UA 2,508,100 from ADF resources be provided to the Government of Mozambique for the purpose of implementing the project as described in this report, subject to conditions specified in the Protocol of Agreement.
1. **INTRODUCTION**

1.1. Mozambique is located in south-eastern Africa, with a population of about 18.2 million and a geographical area of 790,380 square kilometres and 2,515 km of coastline. Three important “corridors” offer rail, road and port facilities to inland countries. More than three-quarters of the households are considered rural, using 97% of the cultivated land but producing less than a third of the total GDP of the country. The annual population growth rate was estimated at 2.6%, with 57% of population under the age of 20. Mozambique has immense agricultural potential, accounting for 80.7% of the workforce (approximately 7 million people, of which over 60% are women). A large proportion of the workforce is engaged in the “family sector” (subsistence small holder farming households).

1.2. The Agriculture Labour Survey (2002) and the Agriculture Household Budget Survey (2004) concluded that most of the Mozambican smallholder farmers are highly dependant on seasonal rains, which over the past few years have become more and more unpredictable and inadequate for regular increased agriculture production. The Technical Secretariat on Food Security and Nutrition (Ministry of Agriculture) reported that the rainy season for 2003/2004 was as irregular rainfall, prompting fears of yet another year of drought, and a subsequent deterioration of the food security situation. A Vulnerability Assessment conducted in 2004 among 4950 families in 42 districts in Central and Southern Mozambique, identified a total of 202,000 people (approximately 8% of the small holder farmer population in Central and Southern Provinces) in a situation of current food insecurity. Out of that, about 108,000 subsistence farmers are in a situation of acute food insecurity and require continuous emergency assistance, while a further 94,000 people have a poor diet and no crops on their “machambas”, are at risk and will also be in need of emergency assistance until the next harvest in 2005. The GOM expects this situation to worsen and the household food security situation to become more vulnerable in the coming agriculture seasons. The main strategies used by the food vulnerable households for coping with food stress concern consumption patterns and short term measures such as reducing the number of meals and lowering their quality (70%), followed by 60% of households bought food. Around 49% of female headed households indicated a period of extreme food stress in the last 12 months.

1.3. While the need to monitor the food security situation continues, a government led action plan to mitigate the impact of drought is being developed. The action plan includes multiplication and diversification of cassava and sweet potato, promoting agro-processing to reduce the average post-harvest food insecure period from three months to at least one month, expand economic activities beyond the agriculture season in order to avail off-season income opportunities, and promote integrated food education programmes with a view to improving the family diet.

1.4. It is against this background that the Government of Mozambique (GOM) requested the Bank for an intervention which will contribute to reducing the food insecure periods and assist in increasing disposable incomes for the vulnerable group. An official request for support was sent by the GOM to the Bank in January 2004. The request was accompanied by a brief Identification Report from the GOM. The report was slightly weak, but contained the key aspects of project design and thus formed a basis for the Bank to consider the project for funding. A preparation mission was fielded in April 2005. The Preparation Report reaffirmed the need for the project, concretised the planned activities and components, as well as the costs of the project. The Preparation Report was reviewed in the Bank and sent to GOM for comments in May 2005. The GOM commented on the report
and indicated a slight change in project orientation to its present design, mainly to stress on rural household food insecurity issues and women’s increased role in meeting household needs within this framework.

1.5. Thus, this project is anchored in the priorities set out in the National Gender Plan of Action, The Agriculture Sector Gender Mainstreaming Strategy, the Bank’s Gender Policy, where it is recommended that poverty reduction activities should be rural agriculture based with focus on going beyond agriculture production and providing non-farming skills to the rural population. The project is also in line with the strategies proposed in the second generation PARPA outline (2005 – 2009) and the Bank Group CSP Update for Mozambique (2005) where there is emphasis on designing interventions which address food security issues. The project will contribute to the achievement of the NEPAD/ CAADP pillars, specifically those related to improving rural trade-related capacities for market access, promoting investments contributing to increasing food supply and reducing hunger. The present report has been prepared as a result of a mission undertaken in June 2005. The mission included a Gender Expert, with experience in small scale entrepreneurship development, and an Agricultural Economist.

2. **THE AGRICULTURE SECTOR**

2.1. **Salient Features**

2.1.1. Agriculture is a significant player in Mozambique’s socio-economic development. Although the agricultural production recorded a growth of 9.8% in 2002/2003, the sector’s overall contribution to the GDP has recorded a drop between 1996 (30.7%) up to 2002 (25.2%). This is mainly explained by the increasingly unpredictable weather conditions compounded by the threat of HIV/AIDS and malaria on labour production. The family sector, where almost 69% are women, continues to provide the biggest contribution in the agricultural sector, but is recently suffering from erratic weather and leading to increased vulnerability amongst small-holder subsistence farmers. The erratic rainfall together with marketing and transport problems, are expected to lead to poor harvests in parts of Mozambique. It is estimated that the food security situation will also be worsened by a number of other factors, including economic decline, chronic and extreme poverty, and most significantly the impact of the growing HIV/AIDS pandemic, which is related to food insecurity and poverty in a cyclical relationship, having an impact on reduced agricultural productivity increased dependency ratios, thereby resulting in increased food insecurity. Given that most of the areas hard hit by the dry spells were similarly affected by poor crop conditions last year, substantial food production shortfalls are expected in the region.

2.1.2. Subsistence farmers, making up the majority of the small-holder farmers including women, facing the greatest shortages are characterized by limited production system, with 65% producing cereals and 51% producing cassava and sweet potato, and in some cases vegetables are also produced. These farmers have the lowest access rate to land which results in reduced productivity during drought periods, and have low access to livestock. Thus, these households are characterized as having extreme difficulties in subsisting, and women head almost 33% of the households. Furthermore, these female headed households do not practice any specific risk management strategies. For example according to the Vulnerability Assessment (2004) only 30% of these households practiced precautionary measures such as changes concerning sources of income, engaging in formal employment, and trading of food products. The most food vulnerable households managed to cope with the food stress periods by using their savings to purchase food, or passing at least one day
without having a meal, consequently suffering from a very low quality diet and malnutrition amongst children.

2.1.3. The risk to livelihood amongst this group is increased because income sources are not diversified due to lack of non-agriculture technical and entrepreneurial skills. Moreover, due to the high dependency on one agriculture activity, produce suffers from extensive losses and waste due to lack of transport and marketing facilities, which subsequently affects the prices of the produce.

2.1.4. Moreover, recent data suggests an increasing role of women in the survival of the families affected by the HIV/AIDS epidemic and other natural disasters such as floods and famine. Traditionally, women are involved in the micro and small scale processing activities in the cashew industry, edible oil, grain milling and traditional fish processing. The number of women working in this sector has increased over the last five years due to the increased pressure on them to provide more for their families as the most vulnerable group in the country.

2.2 Sector Structure

2.2.1. Agriculture is the back-bone of the economy providing employment for over 75% of the workforce and contributing 20.1% to the GDP. Recent agriculture census reports that there are about 3 million land holdings (small, medium, large), of which 23.1% are female headed, cultivating a total of 3.9 million ha. About 84% of these holdings are below 2 ha.; all female-headed holdings are below 2 ha. In Mozambique, it is estimated that 75% of the rural women practice agriculture as their principal economic activity, while less than 0.5% of these have any agriculture training.

2.2.2. In 2000, out of the 3 million land holdings, 0.01% were large scale, 0.3% were medium scale, and 99.65% were small scale. By this, the majority of the cash crops, horticulture, basic food crops, and livestock activities were undertaken by the small scale farmer. Moreover, 83% of the land was cultivated under basic food crops by 98% of the small-scale landholders. Most of these farmers produce: white maize, sorghum, millet, cassava, beans, sunflower, butter beans, groundnuts, coconut, cashew, tobacco, cotton, potatoes, and engage in livestock production. Therefore, the analysis suggests that there is great potential for development of small-scale agri-business which would have forward and backward linkages provincially and nationally, thereby increasing the contributions of the rural agro-processing sector to the country’s economic growth. A significant and sustainable increase in the income of small and small scale agro-processors and entrepreneurs, especially women, is viewed by the GOM as central to poverty reduction and better household nutrition.

2.3 Policy Framework

Politica para a Reducao da Pobreza Absoluta (PARPA – National PRSP)

2.3.1. Mozambique has successfully launched the Lines of Action for the Eradication of Absolute Poverty, followed by the national PRSP, Action Plan for the Reduction of Absolute Poverty (PARPA) 2001 – 2005. The GOM has committed itself to reducing poverty from 70% in 1997 to 50% by 2010. The PARPA reinforces the MDG commitment to reduce absolute hunger and promote gender equality in Mozambique. It is expected that this particular MDG may be “potentially” achieved if efforts are made to provide a conducive
and strengthened environment to enable this, specifically on issues of governance, agriculture production and informal sector employment, education for girls, and security. The PARPA has put focus on social and gender development under the section on Social Action. The main objective of the Social Action programme is to improve the process of identifying priorities for women and social action, and the management of these programmes. Provision is also made in the PARPA for the development of a strategic plan for the Ministry of Women and Social Action. The GOM is in the process of developing the second generation PARPA. MMAS has indicated that there is going to be an increased focus and reinforced commitment to gender and poverty reduction in the new PARPA.

**The Agriculture Sector Gender Mainstreaming Strategy and Action Plan**

2.3.2. The Gender Strategy for the Agriculture Sector (EGSA) was designed in 2005 within the overall mission of the Ministry of Agriculture (MINAG). The EGSA specifically focuses on improvement of the food security and poverty reduction initiatives of agriculture development, and complements the efforts of integrating private sector agencies and NGOs, with a view to improve the productivity in agriculture, agro-industrial production and commercialisation.

2.3.3. The EGSA is based on the policy of equal access and control of the resources, benefits, rights and chances, between women and men in order to assure that the more vulnerable agrarian producers are provided the necessary conditions for increased food security and the household income. Further, the Strategy aims to ensure that gender concerns and the participation of women are mainstreamed throughout the planning process in each of the sub-sectors. Thus, the Strategy presents a program with clear medium and long term outcomes within the poverty reduction framework and reducing inequalities between women and men in the agriculture sector in Mozambique.

2.3.4. The Strategy has, as one of its priorities, increased access to production and implementation of programs of diversification for food security, promoting technological knowledge for production and food conservation of vegetables, meat and dairy produce. Specifically, strategic objective two elaborates the need to focus on food security and improved household nutrition through improved food management, conservation and preparation. In particular, the Strategy outlines the following activities:

a) To provide appropriate technologies and skills for conservation and safe storage of agriculture products, promotion of the creation of small agro-industries for the processing of the agricultural products at the community level with increased involvement of women;

b) Promote and provide appropriate technology and skills for the processing and conservation of meats, milk and its derivatives;

c) Promote research for improved technology and skills that will contribute to increased the productivity and alleviate the workload of women in their domestic work (for example through processing and storage) and in the agricultural production;

**The National Policy and Strategy on Gender (NPSG)**

2.3.5. The *National Policy and Strategy on Gender* (NPSG) seeks to integrate gender components in sector plans and programs of activities and contribute to the government’s effort on promoting equality of rights and opportunities between women and men, to
eradicate absolute poverty and improve the well-being and living conditions of Mozambican people, as well as to fight against HIV/AIDS. The NPSG defines principles, strategies, and mechanisms of implementation, targets, and the main strategic actions to be addressed, based on fundamental rights of the human being, with a focus on education and training, for poverty reduction and sustainable livelihoods in favour of most vulnerable female and male groups.

The National Action Plan for Women’s Advancement

2.3.6. The National Action Plan for Women’s Advancement (Plano Nacional para o Avanço da Mulher; PNAM) is a strategy planning instrument, targeting women and gender issues both at the government and non-governmental institutions. It reflects the objectives proclaimed in different national and sectoral strategic development plans and the struggle against poverty in the scope of promoting women’s status. The plan identifies the main action guidelines that the government will follow in a short, medium and long term. It identifies the government priorities in women and gender areas; establishes a framework of the needs, actions and decision on the allocation of internal resources and external support. The PNAM has prioritised seven strategic options which will best address and promote gender equity in Mozambique within the planning period, and they are: (i) women, poverty and employment; (ii) education and training for women and girls; (iii) women, health and HIV/AIDS; (iv) women’s rights and violence against women; (v) women empowerment in decision making and in the mass media; (vi) women, environment and agriculture; and (vii) capacity building for the institutional mechanisms for women’s advancement.

2.4. Rural Poverty

2.4.1. One of the major constraints in poverty reduction for Mozambique is its vastness which has reinforced the large regional disparities in human development. In 2001 Mozambique had a population of nearly 18.2 million, of which almost 53% are women. The country suffers from a wide regional disparity, especially between the north, central and south. Using the “cost of the basic needs” approach, the poverty incidence for Mozambique stands at 54.1% in 2004, suggesting that poverty incidence at the national level has decreased by 15.3% since 1996/1997. The rate of absolute poverty stood at 69.4%, which meant that more than two-thirds of the Mozambican population was living below the poverty line. There was a greater incidence of poverty in rural areas (71.2%) where 80% of the population lives, as opposed to 62% in urban areas. In 2002/2003 poverty was reduced at a greater scale in the Central Region, also the region with the highest population. The Provinces that experienced a poverty reduction higher than the national average are: Niassa, Nampula, Zambezia, Tete, Manica and Sofala. Other poverty reduction indicators include improvements in sanitation where the percentage of households with latrines increased from 31% in 1996/1997 to 41% 2002/2003. There has also been a growth in the production of grains per capita at about 14% in the period between. The real net income in the rural agriculture sector increased by about 26% between 1996 and 2002.
Table 2.1. Comparative data on Provincial Level Poverty and HIV/AIDS prevalence

<table>
<thead>
<tr>
<th>Province</th>
<th>Percentage of national population</th>
<th>Percentage Absolute Poverty (a)</th>
<th>HIV/AIDS prevalence rate (15 – 49 years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cabo Delgado</td>
<td>8.16</td>
<td>57.4</td>
<td>7.5</td>
</tr>
<tr>
<td>Niassa</td>
<td>4.85</td>
<td>70.6</td>
<td>11.1</td>
</tr>
<tr>
<td>Nampula</td>
<td>19.47</td>
<td>68.9</td>
<td>8.1</td>
</tr>
<tr>
<td>Zambezia</td>
<td>20.34</td>
<td>68.1</td>
<td>12.5</td>
</tr>
<tr>
<td>Tete</td>
<td>7.30</td>
<td>82.2</td>
<td>14.2</td>
</tr>
<tr>
<td>Manica</td>
<td>6.19</td>
<td>62.6</td>
<td>19.0</td>
</tr>
<tr>
<td>Sofala</td>
<td>8.77</td>
<td>87.9</td>
<td>26.5</td>
</tr>
<tr>
<td>Inhambane</td>
<td>7.06</td>
<td>82.6</td>
<td>8.6</td>
</tr>
<tr>
<td>Gaza</td>
<td>6.57</td>
<td>64.7</td>
<td>16.4</td>
</tr>
<tr>
<td>Maputo</td>
<td>5.14</td>
<td>65.6</td>
<td>17.4</td>
</tr>
</tbody>
</table>


2.5. HIV/AIDS

2.5.1. In 1992, the HIV prevalence rate among adults (between 15-49 years) was estimated at 3.3% and by the end of 2003 it had risen to 13.6%, with an estimated 500 new infections occurring daily. In 2000, 1.1 million people were estimated to be living with HIV/AIDS and there were at least 60,000 new orphans, and over 57% of the Mozambican adults living with HIV are women. The HIV prevalence rate is projected to increase to 16% by 2007.

2.5.2. HIV/AIDS prevalence rates in some of the central Provinces such as Manica are very high at around 19% but in the northern regions such as Niassa and Nampula, it is much lower. It is estimated that about 250,000 Mozambicans have died from AIDS and another 1.2 million could die by 2010, causing a reduction in the population growth rate from 2.5% to 1.6%. By the year 2010, the epidemic is projected to lower the life expectancy rate from 50.3 years to 36.5 unless the trend of the epidemic is drastically inverted. Major challenges in reversing or halting the spread of HIV/AIDS and its impact include: level of awareness and behavioural change, stigma sometimes characterized by silence, fear, and discrimination, access to care and treatment as well as limited voluntary counselling and testing.

2.5.3. A recent study conducted in Mozambique by FAO (2004) concluded that the pandemic has drastic effects on rural agricultural households. It is estimated that up to 45% HIV/AIDS affected agriculture households have reduced the area under cultivation and up to 60% of the affected households have reduced the number of crops grown. Furthermore, the pandemic is likely to have a negative impact on local knowledge of seeds, traditional crops, and indigenous planting methods. This indicates to the need for developing agricultural interventions and strategies that lessen the workload of HIV/AIDS affected households, especially women who are the main care takers of the sick and the orphans. This would include diversified labour-saving practices and strategies, diversifying farmer skills and capacity for alternative income generation, promote diversification of production and food conservation activities, promote labour-saving practices, which would increase the self-reliance of food insecure and labour-constrained agricultural farming communities and reduce their vulnerability and dependence on food aid.
2.6. **Gender Issues**

2.6.1. Women in Mozambique constitute a little over 53% of the population and are the majority of rural producers, over 95% of women work in mainly subsistence agriculture compared to 66% of men. About 70% of the women are illiterate as compared to 40% of the men. Rural women are disproportionately affected by deteriorating health conditions, inadequate pre and post natal care as well as other health complications related to excessive daily drudgery. In Mozambique, women are principally responsible for food crops such as groundnuts or beans, whilst men take the main production and marketing decisions in relation to cash crops such as cotton and tobacco.

2.6.2. In agriculture, women are mainly engaged in food-crop farming and are mainly responsible for household food security and well being. On the other hand, men tend to be engaged in cash-crop farming and non-agriculture employment which also increases their migration patterns leaving the women, children, the sick and elderly in the villages. As a consequence, women’s work load has dramatically increased in the past few years. The situation is exacerbated by other factors which affect the women’s low productivity in the sector such as: the small size of agricultural holdings and unequal access to credit, unavailability of agricultural tools, seeds, extension services, roads and other infrastructure, as well as irrigation facilities. The 1997 Land law brings aimed at instituting gender equality in access and control over land as a resource. However, women are not benefiting from this protection, partly due to lack of information and knowledge about their rights, and partly because the administrative and judicial practices are still far from incorporating the norms and dynamics that the Land Law attempts to encourage. Moreover, it is estimated that rural women spend an average of 14 hours working on agriculture related activities, water fetching, livestock management, and domestic chores, as compared to men who spend an average of 6 – 8 hours on agriculture work. Inadequate access to markets and marketing information is another constraint leading to the low incomes of women farmers.

2.6.3. In Mozambique, the entrepreneurship and micro-finance initiatives to date are largely confined to the urban centres, there is very little information available on the outreach to rural poor men and women for poverty reduction. The majority of the rural women are concentrated in the informal sector and have very little access to formal credit, skills and business training. Some gender-specific constraints, that influence the demand for financial services, are: (i) the very low levels of female literacy in much of the country; (ii) lack of access to independent assets (linked to customary inheritance rights that privilege men as well as lack of employment opportunities for women); (iii) lack of time and mobility linked to women's specific responsibility for reproductive labour and family welfare; and, related to these factors, (iv) lack of access to information and business experience.

2.6.4. Furthermore, there is an observable regional gender differentiation in the country. In the south, for example MFIs have successfully reached women clients, estimated at 60%. In these regions women tend to be more entrepreneurial, readily engage in diverse business such as, dealing in sales of vegetables, fruits, household consumables, and sometimes trading regionally as well as trans-boundary. Women also depend largely on informal money lenders and group savings methods, while men tend to have better access to urban based credit services.

2.6.5. In the North, however, women are less entrepreneurial, although they are economically active. As in the South, women in the North do not have direct access to assets. Although traditionally the South is a matrilineal society, property passes through the
male on the female side of the family. MFIs operating in the north, especially those with a more rural clientele, have often experienced difficulties in attracting female clients because the women are: more risk averse, lack confidence, need to borrow very small amounts, inexperienced in managing loans, and find difficulty in repaying because they are not engaged in the markets daily. Thus the overall average of female clients amongst the MFIs in the North is only about 14%.

2.7. **Donor Interventions and Lessons Learned**

2.7.1. There is limited donor experiences in the area of agro-processing in Mozambique, and available experiences are limited to small and medium scale business development and micro-credit delivery. The USAID has a programme for the support of entrepreneurship development through availing access, through NGOs such as CLUSA, Technoserve, SOCREMO, etc., to micro-credit and other financial services. The USAID, Swedish Development Aid, and European union are also supporting the Confederation of Business Associations of Mozambique for capacity building and some operations activities (CTA - network of business associations see 3.2.16.). The Project for Enterprise Development (PODE) is funded by the World Bank, EU, NORAD, and DfID at a total cost of about USD 40 million. It has four components: (a) line of credit, (b) technical learning which includes training companies to eventually link them to bigger projects for companies to act as suppliers; (c) competitiveness building which focuses on management training and design of products for export; and (d) matching grant. PODE does not include individual entrepreneurs but focuses on small (USD 50,000+) to medium (USD 150,000+) sized companies. The project is expected to end by June 2005. The Norwegian Development Aid has been supporting United Nations Industrial Development Organisation (UNIDO) to support small business development in Cabo Delgado, Zambezia, and Nampula. The interventions include management training, putting in place a one-stop-shop which would assist entrepreneurs in getting registration, licensing, premises, etc. The Canadian International Development Aid (CIDA) has been supporting the policy and regulatory reform for micro-credit in Mozambique through NGOs such as SOCREMO, and the Mozambique Microfinance Facility (MMF). Thus, while a number of donors are involved in supporting the sector, their interventions are focused on small and medium scale enterprises and are limited to availing financial services.

2.7.2. NGOs such as Care International, World Vision, Africare, and FDC have limited interventions in food processing in a few districts in the Country. For example CARE has been supporting the Inhambane Processing and Packaging Project (PPOSPC) for cassava in the northern region of Inhambane province (see section 3.2.6. for details). Some of the key lessons learnt from these donor funded projects are: (i) there exists an unmet demand for rural micro-scale entrepreneurship development and training; (ii) micro-credit, while available, is still not easily accessible to smallholder families, especially women; (iii) there is an increasing need to focus on development of off-farm income and skills training; (iv) HIV/ AIDS continues to be a threat to rural agriculture productivity.

2.7.3. The AfDB has two interventions in Mozambique that touch upon entrepreneurship development. In 2001 a Line of Credit was approved for UA 3.5 million to be channelled through two micro-finance institutions. While the project does not target entrepreneurship development directly, it aims to support the development of small and medium-scale enterprises in Mozambique by enhancing their access to medium to long-term finance. The Project made financial services available to the entrepreneurs, with an estimated repayment rate of about 68%. In 2003 the AfDB Board approved the Rural Finance Intermediation
Support Programme (RUFISP) to the tune of UA 11.52 million as ADF loan and a Grant of UA 3.84 million. This project aims also to improve the access of rural households to sustainable rural financial services. The RUFISP has not made any disbursements as yet, and thus no information is available on its impact. A Poverty Reduction Project for the National Institute for Social Action (INAS) (which is part of the MMAS) and the Directorate for Rural Development (DNDR) was designed in 1998. This project addressed the capacity building needs of both these institutions in order to better equip them for designing poverty reduction interventions in the Country. While the project is presently towards completion, reports show that they have had some positive impact on performance of both INAS and DNDR in terms of their planning and outreach to the provinces and districts.

2.7.4. The Bank funded Green Zones Women Development Project aimed at increasing food production and improved nutrition for the target population. A Project Completion Report, done by ONAR in December 2004, concluded that the project was successful in meeting its objectives. The project components were (a) Project Management Support (b) Rehabilitation and Construction of Civil Works (c) Agricultural Production Support (d) Credit Inputs; and (e) Technical Assistance. The project reached about 6,000 women members of the cooperative General Union of Cooperatives (UGC) and 675 individual producers. These women experienced an increase in incomes from USD 118 at appraisal, (1992) to USD 853 per cooperative member in 2004. The households also experienced improvement in balanced nutrition. The Artisanal Fisheries Development Project approved in 2001, also includes support to women in updating their skills in fish processing on a small scale. The project is still on-going and thus outreach and impact has not yet been assessed.

3. **THE AGRO PROCESSING SUB-SECTOR**

3.1. **Salient features**

3.1.1 The GOM has been focusing on increased agriculture production and associated improved infrastructure in order to address widespread rural poverty. Nevertheless, the GOM has also realized that value addition to primary commodities and support to agro processing entrepreneurship will enhance and hasten widespread poverty reduction and directly contribute to the improvement of household food-security situation of the vulnerable groups. However, this sub-sector is constrained by limited technical and managerial skills in market driven products, lack of financial support, weak technological dissemination system as well as the underdevelopment of marketing systems and price information systems, and research and development of improved food-processing methods and quality.

3.1.2 Nevertheless, the agro-processing sub-sector is continuing to become a major source of income for women and women headed households who mostly engage in processing of fish, grains, as well as fruits and vegetables. These food-processing activities are especially attractive to the vulnerable group because most of the raw materials are available locally and markets are available, albeit underdeveloped.

**Small and Medium Enterprises in the Sub-sector**

3.1.3. While the project focuses on micro-scale entrepreneurship development, available information on small and medium enterprises (SMEs) will serve to give an indication of
constraints faced by rural entrepreneurs to tap into this sub-sector. SMEs in Mozambique are generally defined by the number of their permanent employees and size of investment. A small enterprise is one having between 5 and 19 permanent employees and investment capital of between US$ 5,000 and US$ 50,000, while a medium enterprise will have between 20 and 100 permanent employees and up to US$ 1 million in investment capital. Many of these enterprises are found in the food and drinks sub-sector, such as bakeries and other confectionery companies, fruit processing companies, etc. Others are found in such sub-sectors as wood and paper products, the construction industry, and the service industry.

3.1.4. According to the food processing enterprise list compiled by the National Institute of Statistics (INE), 970 manufacturing enterprises are registered in the food processing sector, 22% of which are owned by women. The majority of enterprises (72%) have less than ten employees, followed by those employing 10–49 workers; 15% of the skilled labour are women. The grain mill and bakery product subsectors have the largest number of enterprises in the food processing sub-sector, also where the majority of women are concentrated. The majority of these enterprises have less than 50 employees. These two subsectors are important due to their contribution to food security and employment. 2003 national statistics show that the following products registered a growth in production: oilseed products, especially sunflower oil; grain mill products; animal feed; white sugar; alcoholic and non-alcoholic beverages. Most enterprises are concentrated in Maputo and other emerging provinces such as Nampula, Manica, Sofala and Tete. In 1999 (for lack of updated data), investment in the agro-processing industry was reported to be the highest in the dairy sub-sector, followed by beverages and fish processing sub-sectors, respectively. Therefore, the potential for increasing the contributions of this sector to the country’s economic growth through enhanced business development practices is very high.

3.1.5. While large scale industries require capital intensive investments, micro and small scale food-processing sub-sector require smaller investments, presents the entrepreneur with sustainable employment and opportunities to expand and generate increased revenues in the medium to long-term. Moreover, women in Mozambique suffer several constraints to achieving sustainable livelihoods for their families. While they are predominantly engaged in this sub-sector informally, more and more women are organizing themselves to practice their businesses in the formal business environment. However, they are particularly worse off because of traditional views and values which give them lesser access to resources and independence to engage in profitable businesses. Furthermore, the poor financial position of these female entrepreneurs and has led to a poor adoption of technology, access to and use of necessary inputs in the business leading to poor production levels.

3.1.6. Most female agro processors have limited knowledge on new and improved production methods, limited access to market information, and weak backward and forward business linkages. Government regulatory information does not reach these female entrepreneurs in a meaningful way which they can use to promote their businesses.

3.2. Institutional Framework

Ministry of Women and Social Action (MMAS)

3.2.1. The Ministry of Women and Social Action (MMAS) has seven departments, namely: National Directorate for Women (DNM), National Directorate for Social Action, Directorate for Planning and Studies, Directorate of Human Resources, Inspection General, National Institute for Social Action (INAS), National Commission for Social Reintegration,
and the Operative Group for the Advancement of Women. The MMAS has the general mandate of protection and coordination of activities for the vulnerable groups of the population, namely, the elders, orphans, toxic dependants, and women/children with high levels of malnourishment, and low income female heads of households. Furthermore, it is also responsible for mainstreaming gender issues into the national and regional development plans and programs; designing interventions aimed at improving the status of women in terms of social, political and economic development; enhance the coordination mechanisms for the implementation of the Post-Beijing Action Plan; and provide psycho-social rehabilitation, and education/professional training to street children and orphans.

3.2.2. A recent policy change has put greater responsibility of design and implementation of gender and development projects and programmes on MMAS, to be coordinated with other sectoral ministries and departments, respectively. Within this framework, the Minister of MMAS has recently initiated an in-depth staff reallocation within the Ministry as well as at the Provincial and District level. This reallocation is aimed at strengthening the focus and making the service delivery mechanism more efficient. As a result, already there are some positive signs such as the appointment of a strong and experienced director at DNM (the position had been vacant for the past one year), the increased coordination and communication between provincial and district offices with the Headquarter in Maputo, as well increased focus on networking with donors and other partners to design specific interventions for gender sensitive development and HIV/AIDS mitigation within the gender framework. The key constraint faced by MMAS currently is the insufficient financial and technical resources. Nevertheless, the Ministry has submitted to the Ministry of Economic Development and the Ministry of Finance for approval an extensive work-plan which includes increased staffing levels and financial resources to be allocated at the provincial and district levels.

3.2.3. The National Directorate for Women (DNM) was set up, in 2000, within the MMAS to define and promote the implementation of programs that support, assist and foster the development of women and the family in Mozambique. The DNM comprises of two departments: the Department of Women and Family, which is responsible to coordinate strategies and plans related to vulnerable women. In addition to assisting women, it provides technical support to the programs to combat HIV/AIDS in relation to gender issues. The Department of Gender and Development supervises and implements policies in the field of women and gender and promoting the implementation of legislation that protects women’s rights.

Ministry of Agriculture

3.2.4. The Office for the Promotion of Commercial Agriculture (GPSCA) is a Department within the Ministry of Agriculture which has the responsibility to oversee the export and trade of agriculture produce both in its primary as well as processed form. The GPSCA is well staffed and networks with other line ministries, departments and units which are related to national export promotion. The GPSCA has also conducted several market surveys and feasibility studies for various agriculture products which have the potential for further development for export. The surveys have identified edible oil, fruit jams and juice processing, flour making, bakery items, dairy processing, peanut butter making, tomato paste making, and fresh vegetable processing as well as dehydration to be the most attractive agri-businesses in the regions of Manica, Sofala, Gaza, Tete, Nampula, and Cabo Delgado.
Ministry of Industry and Commerce

3.2.5. The Ministry of Industry and Commerce (MIC) is directly responsible for spearheading the country’s industrialization, and to this effect, formulates broad objectives and policies of industrial promotion and assesses the resources required for achieving them. Institute of National Standardisation and Quality (INNOQ) is charged with the administration of standards. INNOQ is also developing new standards on the basis of foreign or international ones: 17 are in the final stages of development and 25 are in process. Mozambique maintains certain controls for sanitary and phytosanitary purposes. The related regulations are the responsibility of the Ministry of Agriculture and Natural Resources. INNOQ has an approved National Quality Policy which aims to promote protection and maintenance of consumer health and safety, sustainable conservation and protection of the environment, contribution to an environment conducive to national economic development, contribution to an increase of production and exports, and creation of a national quality culture and awareness. The Mozambique Institute of Export Promotion (IPEX) has the mandate to support and co-ordinate the execution of policy measures towards the development of Mozambican exports. Its goals are to improve and promote the export base for the Mozambican entrepreneur; to promote the export of local production; and provide specialized trade and market information services for the national exporters community and foreign buyers. IPEX has a Trade and Market Information Centre (TMIC) with a library and computerised trade information system on international trade. TMIC is the focal point of contact for most users of IPEX's services. The main activities of TMIC are: information dissemination and research facilities. The IPEX also provides Trade Promotion and Market Development services, such as, national export audit which aims at identifying the potentials of national exportable products and to obtain information for user of Trade and Market Information Centre as well as to help GOM in identifying constraints affecting any exportable product. IPEX also co-ordinates the participation of Mozambican enterprises at carefully selected regional and international trade fairs.

Experiences in Food-Processing for Food Security

The Inhambane Processing and Packaging Project (PPOSPPC)

3.2.6. DfID financed The Inhambane Processing and Packaging Project (PPOSPPC) to be managed and implemented by CARE International in collaboration with the National Research Institute. The project was designed with the underlying premise that in order to achieve a basic level of food security, rural households will need to move from a purely subsistence model of farming towards more diverse livelihood strategies which optimize the use of available resources. The project was carried out in the Inhambane province (Districts of Mabote, Vilanculos, Inhassoro and Govuro). The final goal of the project was enhanced food security through improved marketing of agricultural products in Northern Inhambane. The PPOSPPC aimed at developing an understanding of the social, cultural and technical constraints related to preservation in a hot and humid climate, improving local knowledge on processing, preservation and packaging techniques and Improve access to sustainable, low cost and easy to manage processing and packaging equipment.

3.2.7. Therefore, the project targeted the following aspects of poverty: (i) the lack of knowledge on how to preserve, process and package agricultural products in a hot and humid climate, (ii) lack of basic equipment, and (iii) access to reliable market information at local level. The groups targeted were informal and formal farmers groups with 20 to 30 members (male and female) each; informal savings groups with 20 to 30 members (female)
each who met on a weekly basis to contribute their own or their husband savings into a savings box and use savings for issuing credits to members of the groups. All beneficiaries were classified as poorest to poor people and were located in northern of Inhambane province.

3.2.8. The project aimed at 5,000 households with a wider choice of quality sweet potato and cassava products for selling and buying. Additionally the project aimed at 2,000 households with additional income generated from processed products by December 2004. A number of 178 groups i.e. 6,775 householders were reported as direct beneficiaries. Within this number 481 benefited directly from an additional income from the selling of the products. Thus, the project achieved partially its objective in terms of the number of beneficiaries generating income, in terms of beneficiaries with a wider choice of quality sweet potato and cassava products.

3.2.9. The project completion report concluded clear evidence of positive impact on the poor whose livelihoods improved substantially through the processing and packaging of cassava and sweet potato an alternative approach to reducing post-harvest losses and thereby resulting in increased income generated for marketing these products. The introduction of new processing technologies, which are appropriate to the area and affordable to the target groups, alleviated to certain extent the drudgery of the traditional methods used in Inhambane. The processing also had an impact on the household income generated from the selling of processed products. Ten associations built equal number of flour production houses from where they processed their own production and from the neighbours. The processed product (cassava mainly) was sold locally in the shops (all districts) and supermarkets (in Vilankulo and Inhassoro districts) costing USD 1 per kg., allowing for a net profit of about 25% of selling price.

The Manica Oil Seed Food Security Initiative (MOSFSI)

3.2.10. Africare Mozambique has implemented the Manica Oil Seed Food Security Initiative (MOSFSI). This is a five-year (1996-2001) project operating in five districts (Barut, Gondola, Guro, Manica, and Sussundenga) in the Manica Province. The project is funded, to the tune of approximately US$5,143,779, through various modalities under the USAID programme for Mozambique. The goal of the MOSFSI is to enhance food security in five districts in Manica Province through: (a) the development of a sustainable, small-scale oilseed production and processing industry in the five districts, and (b) Increased awareness and application of improved nutrition and health practices within the households in these districts (household nutrition component).

3.2.11. The MOSFSI covers 80 communities within the Province. An estimated 30,000 farmers cultivate the sunflower/sesame crop, and 180 presses have been purchased, which currently provides rural dwellers with regular access to affordable edible oil. Similarly, over 1,300 Model/Leader Mothers have been trained and are communicating messages about nutrition and hygiene, and this outreach has enabled approximately 6,830 mothers to have positive childcare experiences.

3.2.12. The project completion report concluded that the sunflower seed production and oil processing industry has been established successfully in Manica Province. While no quantitative data is available, project evaluation reports suggest that the oilseed production and processing industry has grown to such a magnitude that it has a very strong appeal to many private sector companies. Moreover, household nutrition has significantly improved
due to the use of sunflower oil in the preparation of meals (previously no edible oil was used due to lack of access and insufficient income to purchase oil from the markets) as well as from the increased disposable income as a result of selling oil in neighbouring communities.

**World Vision**

3.2.13. World Vision, an international NGO, has also supported a similar intervention for the promotion of edible oil processing in the Zambezia and Nampula provinces in 2001 - 2002. The project supported the purchase of manual oil presses and distributed them to the project beneficiaries who were trained on their use and maintenance. The oil presses were distributed to a few people in the community who would process the oil themselves as well as processing oil for other community members who would bring their own oil seeds. Project M&E reports suggested that those farmers who were unable to pay for the processing in cash, paid in kind – with the processed oil. In this sense, the project evaluation suggests a positive impact for the beneficiaries through increased income as well as consequent improved standards of living. A short-coming of the project was that the distribution of the oil presses was not accompanied by entrepreneurial and/ or marketing training activities.

**United Nations Industrial Development Organisation (UNIDO)**

3.2.14. UNIDO is in the process of implementing a USD 2 million project for the support of cashew apple processing in Nampula. The project intends to mobilise about 300 satellite cashew apple processors who will be given technical and entrepreneurial training as well as knowledge on quality control and hygiene aspects of processing. These satellite processors will process the cashew apple in a semi-finished form and transport them to a medium scale plant for final processing and packaging. This plant will be located within easy reach of communities and the satellite processors will get paid for the semi-processed cashew apple. The project has not yet started but it is estimated that each satellite processor will increase her income by at least 35% during the cashew-processing season. The increased income is expected to have positive impact on the rural households participating in the project.

**Experiences in Access to Credit**

3.2.15. In Mozambique there are a large number of commercial outgrowing/agro-processing operations mainly in the cotton and cashew nut. These are run by local enterprises often affiliated with international companies and in a number of cases in joint ventures with government. They are by far the biggest providers of agricultural credit, through the agricultural inputs that they make available to the out growers on a credit basis. However there are a large number of informal community-based financial institutions which provide credit to the large majority of the rural Mozambican population. The most common type of informal savings and credit arrangement in Mozambique is the xitique. These are simple rotating savings and credit groups in which all members contribute on a daily, weekly or monthly basis and one member traditionally receives the whole collected amount. Several NGOs such as CARE, and IRAM are supporting Rural Finance Associations (RFAs) which focus on low-income communities and have high involvement of women as a key target group. The approach is particularly adapted to even remotest rural communities. The Bank Group has two interventions in Mozambique which facilitate access to financial services and micro-credit to small and medium scale enterprises (see 2.7.3.)
3.2.16. In Mozambique there are a number of NGOs and not-for-profit organizations which offer business and entrepreneurship development services both independently and part of a micro-credit scheme. Organisations such as The Small Investments Promotion Company Limited (GAPI), The Small Industry Development Fund (FFPI), Care International, Africare, World Vision, Foundation for Community Development (FDC), etc. have extensive outreach into the rural areas through their own staff network and also through the provincial and district administration. For example, GAPI is one of the implementing agencies for the AfDB funded The Line Of Credit To Support Small And Medium-Scale Enterprises. There are also a number of companies in Mozambique, which manufacture small machines such as oil pressers, bakery equipment, flourmills, and tomato and fruit processing machines. These companies are able to deliver the equipment nationally and are also experienced in providing regular maintenance services and change of spare parts when necessary. Community radios have been introduced by UNDP in a number of provinces to disseminate information on HIV/AIDS, malaria, social reintegration, price and market information as well as other community development programmes.

3.2.17. There are about 50 registered small and medium scale business associations in Mozambique which operate in various sectors. These associations have a membership of about 50 or more persons or firms and each tends to have capital of above USD 50,000. Examples of business associations in Mozambique are the Chamber of Commerce, Bakery Association, Business Women’s Association, Industrial Association of Mozambique, etc. The Confederation of Business Associations in Mozambique (CTA) is a not-for-profit organisation which serves as a network of business associations. It’s activities include strengthening the association movement, strengthening linkages with the Government, lobbying for improvement of the business environment, and maintaining a business directory. The registration of business associations is a fairly un-complicated procedure which requires at least ten individuals, or firms, to come together, have developed their constitution and by-laws, and apply for registration at the office of the provincial judiciary. While in some cases delays may occur, registration process can be completed within 60 days. One of the constraints, however, facing individuals in the registration process is the need to provide a police record for each member individual. This is rather time-consuming and can only be done in Maputo. However, a number of reforms are under way to improve and simplify the laws concerning registration and operations of micro and small business associations. The GTZ and IFC have produced a detailed handbook which is a useful guide to starting a company in Mozambique for micro and small scale entrepreneurs.

3.3. **The Sub-sector Policy Framework**

**The Industrial Policy and Strategy**

3.3.1. The National Industrial Policy was approved by the GOM in 1997 under the Resolution number 23/97. The Policy outlines the set principles, measures and activities aiming at contributing to economic and social development. This is planned through an increase in production, productivity and quality of industrial production, based on entrepreneurial initiatives, specially within the scope of the agro-industry, textiles, confections, metalworking, building materials, fishing industry, mining and energetic industry, utilizing natural resources on a sustainable basis and on technologies promoting...
jobs, favouring an increased offer of consumer goods and means of production. The aim of the Policy is to create an up-to-date national industrial basis, which is competitive and increasingly less dependent on the exterior, and which will contribute to the development of the sector in the medium and long term. In this regard, food processing and agro-industry is among the priority sectors identified for development.

The Quality Policy and Implementation Strategy

3.3.2. The National Quality Policy and Implementation Strategy has been approved in 2003. The Policy addresses the need for quality control as the catalyst for economic development, and an integral part of daily life and of the commercial environment. As such, the Policy aims to put in place a National Quality System (SNQ) which would include standardization, metrology (a type of measurement in standardisation and quality control), conformity assessment, accreditation, technical regulations and sanitary and phytosanitary measures, supported by activities in the field of education, training, information and awareness raising. Thus, the Policy aims to provide for protection and maintenance of consumer health and safety; sustainable conservation and protection of the environment; contribute to an environment conducive to national economic development; contribute to an increase of production and exports, and the creation of a national quality culture and awareness.

3.4. Constraints to Agro-processing and Entrepreneurship Development

3.4.1. The key constraints faced by women in agro processing activities are as a result of their inadequate access to resources. Women have a weak management capacity and knowledge, which is linked to their inadequate academic background. Therefore, many of the women do not have a business orientation to their economic activities. Women entrepreneurs also suffer from lack of capital for business start-up. Most of the time they depend on personal savings to engage in economic activities. Moreover, women also lack adequate accounting knowledge and have no cost/ income control systems. As a result of inadequate financial resources, women’s businesses have obsolete and inefficient equipment/ technology. This affects their production quality and quantity. Shortage of locally-made and affordable packaging material for processed food products is a critical constraint. Unattractive and fragile packaging has a negative effect on their capacity to market outside their districts and provinces. Road networks in poor condition (or impassable), impede the sale of processed food products in rural areas and their flow from rural areas to more favourable markets. Finally, another factor which affects all micro and small scale entrepreneurs in Mozambique is competition from imported products. Food items from neighbouring South Africa are available in the local markets and some items are very price competitive.

3.4.2. However, according to national reports and surveys from GPSCA and IPEX, there is a high potential for processing of agricultural surplus produce into value added products. Moreover, the market for such price competitive and easily accessible products in rural Mozambique and border countries is high. According to IPEX, they are receiving inquiries from UK, USA, and other European Countries for Mozambican fruits and vegetable products both in the fresh and processed form. Moreover, certain provinces, such as Manica, Gaza, and Sofala have seen an increase in agriculture production over the last year, especially for tomatoes, potatoes, groundnuts, sunflower seeds, and maize. This indicates to an increased supply of raw materials for processing.
3.5. **Examples of Agro and Food-processing Commodities in Mozambique**

**Processed nuts**

3.5.1. The cashew sub-sector is still amongst the most important contributors to the Mozambican economy. It employs up to one million smallholder farmers and is an important source of foreign exchange for the country. In 2002, total production reached 52,000 tons of raw cashews, most of which is exported at low prices.

**Edible oil sub-sector**

3.5.2. Mozambique has the potential to produce a wide-range of oleaginous seeds to supply the local edible and industrial oil factories. These include cotton, coconut, sunflower, groundnuts and sesame. There are several micro enterprises in the central and northern regions of the country that are manually pressing sunflower and sesame seeds to produce cooking oil. The oil produced in micro enterprises is marketed and sold in rural areas whereas that from large enterprises is marketed and sold in urban and peri-urban areas and villages. This sub-sector has the potential to develop through the establishment of small-scale processing enterprises (manual presses) in rural areas. Presently, more than 600 oil presses are in operation in Mozambique, and this figure is on the increase. Rural Mozambique suffers from extreme shortages of availability of edible oil. It is estimated that rural per capita consumption of oil per person is merely 0.64 litres, while the annual requirement for oil for a healthy and balanced nutrition is at least 9.6 litres per capita. Some NGOs in the country support establishing small warehouses to keep sunflower seeds and to supply the oil presses during the whole year instead of only during the crop season. It is also foreseen that stock capacity will be created for the oil (plastic drums) so that the oil can be sold during the whole year.

**Grain mill products**

3.5.3. **Maize** is the main raw material processed in this sub-sector and is grown mainly by the family farming sector, which currently produces about 93% of the locally marketed maize. For example, the Niassa Province maize production for 2002 stood at 133,000 tonnes. The majority of the urban centres in Mozambique are supplied by industrial mills. There are large capacity mills in Maputo, Nampula, Nacala, and Beira. However the rural consumers are dependent on supply from these larger cities, brought in by maritime or road transport. This inefficient process (production in a rural zone, transport to and milling in the city, and transport back and sale in the rural areas) adds considerably to the cost of the product. Therefore there exists an opportunity to expand rural based small scale milling. There are some micro- and small-scale enterprises (around 366) spread throughout the country with a concentration of 116 mills in Nampula Province. **Wheat** is the other important cereal processed in Mozambique. The wheat grain is all imported and processed locally in the four large wheat mills. The wheat flour is used particularly for bread, pasta and biscuit production. There are no small-scale enterprises milling this cereal.

**Milk and dairy products sub-sector**

3.5.4. Around 1,800 dairy cattle are found in peri-urban areas and due to a limited supply of fresh milk, local production of dairy products satisfies only a small fraction of existing market demand and general nutritional requirements. However, the Mozambican dairy
cattle stock, the milk and the dairy product sub-sector are gradually recovering through the involvement and initiative of the private sector.

**Bakery products**

3.5.5. This sub-sector is characterised by the large number of small-scale bakeries some of which also produce pastries and cakes. These bakeries are located in towns and villages and their consumers are situated predominantly in urban areas. Bread production remained static during 1999 and 2000 (about 25 million units of 500-gram average weight bread). The same period reported a decrease in pasta, biscuits and cakes production, mainly attributed to the imports of similar products. Bread is reported to be an affordable part of at least one meal per day, both in rural and urban areas.

4. **THE PROJECT**

4.1. **Project Concept and Rationale**

4.1.1. The Project seeks to contribute to mitigating food insecurity amongst rural smallholder farmer households by reducing post-harvest losses and empowering them with entrepreneurial skills. The problem of food security is the result of low productivity on smallholder farms due to erratic rainfall which affects agricultural production, lack of post harvest technology resulting in high level of wastage, and also low incomes which affect use of agricultural inputs which further affects productivity. Agro-processing and trading will not only take care of the post harvest technology, which would improve food availability during the dry seasons but will also provide the beneficiaries with income to buy agricultural inputs during the agriculture season. The accumulation of these factors, together with the inaccessibility of rural markets for primary agriculture produce, low prices, and increased waste and spoilage of fruits and vegetables, has affected the overall food security situation of rural household to the extent that they are reported to be under absolute food stress and vulnerable up to about three months per year.

4.1.2. The GOM has realised the situation and has emphasised the need to empower such households with skills to reduce the food insecure periods by at least half and enable rural smallholder households to engage in alternative sources of income to depend on during dry spells. Agro-processing has been identified in the Agriculture Sector Gender Mainstreaming Strategy and Action Plan, National Gender Action Plan as well as the PARPA as being one of the mechanisms by which rural small holder farmers can be empowered to reduce food insecurity risks and vulnerabilities. Notwithstanding, the GOM has not been able to operationalise these activities until now due to its primary focus on increased agriculture production. The benefits of increased production interventions, while important, are slow to reach the most vulnerable and food-insecure households.

4.1.3. The Project has been designed as a pilot intervention as it seeks to build and expand on a broader scale some experiences available in the Country (Africare, Care International, and World Vision). The pilot project will seek to generate replicable experiences on larger scale with regards to agro-processing as a means to enhance household food security. To date, existing experience has been tested in certain communities within a framework of agriculture production combined with some agro-processing. Thus, the present pilot project will generate information and lessons learnt on the: (i) attractiveness of certain produce for agro-processing amongst rural agriculture households, (ii) influencing the food consumption patterns among rural food vulnerable households by providing processed food sources
during food stress periods, and (iii) the viability of micro-scale agro-processing as a strategy for diversification of rural agriculture incomes.

4.1.4. The Project is further built on the increasing demand by regional markets on Mozambican agriculture produce and exotic fruits. GPSCA and IPEX are institutions that are promoting the networking of suppliers and buyers of such products. Thus, the project will tap into this growing market and empower some female entrepreneurs to supply quality products to private sector operators for regional marketing and possible exports.

4.1.5. In light of this, the components have been chosen to extend the benefits as efficiently as possible with well-targeted interventions to the food insecure and vulnerable households. These components have been selected after intensive consultation with representatives of the beneficiary communities, district and provincial authorities as well as representatives of the private sector. Furthermore, the technical training will be demand driven and beneficiaries will have an opportunity to select activities from a menu of agro-processing skills options. Moreover, in the interest of sustainability the Project will be managed within the existing structure of the MMAS including the district administration. However, the project coordinator (PC) will be recruited from project resources in order to mitigate the lack of project management capacity at the MMAS. Training activities will be delivered by experienced and specialised local training service providers further ensuring sustainability in that future needs (after the project) for training can be accessed by the women’s groups themselves. A counter-part staff of the Ministry will be assigned to the PC in order to build the capacity of MMAS staff in project management and implementation. Furthermore, an experienced technical assistant will be recruited to ensure timely implementation through district and provincial structures, which will further ensure sustainability.

4.2. Project area and beneficiaries

4.2.1. The Project will intervene in the Province of Manica: specifically, in the districts of Sussundenga, Guru, Gondola, and Barue; and the Province of Sofala: specifically, in the districts of Dondo, Nhamatando, Caia, and Gorongoza. These Provinces and Districts have been identified by the National and Provincial Government representatives as ones needing priority attention for support to household food-security and increased skills for income generation. The districts were also selected taking into account the high level of poverty, HIV/AIDS prevalence, while at the same taking into consideration the availability of fruits and vegetables, and the high amount of agriculture produce waste and spoilage (up to about 30%) in these districts. Moreover, the selected districts have a high concentration of women’s groups, which are agriculture based, practice savings and credit activities informally, and also have experience in rural petty trading in local markets.

4.2.2. The beneficiaries of this project will be women mainly in rural agriculture households whose food-security level is threatened during post-harvest dry periods, drought, and/or other household crises. The beneficiary group experience similar characteristics as mentioned in section 2.6. for Mozambican women in the agriculture sector. Presently, most of the women are engaged in growing fruits and vegetables, as well as working on the family plot. The production and sales of fruits and vegetables are the responsibility of the women. They do not have access to formal credit mechanisms and depend on informal systems called xitiques – a kind of a rotating savings box. Moreover, most of the produce is sold on the road side in the districts or in local village markets. Due to lack of transportation and storage facilities, a large portion of the produce is left to spoil.
The women’s work includes long hours in the field during the agriculture season, and involvement in petty trading activities during off-season. Thus, the Project support will be delivered to existing women’s groups as well as to new women’s groups. In this regard the project will support approximately 200 existing groups and at least 150 new groups (in total in the two provinces); the support will reach approximately 4,500 women (between 10 to 20 in each group).

4.2.3. Summary criteria for selection of target beneficiary existing groups will be: (a) the group has been engaged in household poverty reduction activities for at least the past three months; (b) at least two of the group members have some experience in farming, trading and/or entrepreneurship; (c) the group has the intention to carry out the activities under the project. Summary criteria for selection of new target beneficiary groups should include: (a) potential members should be from the same community and agree to form a group; (b) at least three potential members should have some experience in farming as well as trading/entrepreneurship and; (c) potential members have some experience in informal/formal savings and credit management at the individual level. In addition to the criteria, the selection process will be guided by the MMAS Provincial Director as well as the Provincial Gender Focal Person; in collaboration with the District agriculture officer and the MMAS district director. These officers will be responsible for disseminating information on the project activities and sensitising communities and women’s groups on joining the project. The sensitisation process will include information on the menu of training offered, specifically on the agro-processing skills development in order for the potential women beneficiaries to decide on the activities they would like to be trained and engaged in.

4.2.4. *Manica* falls in the Central Region of the Country and it borders Tete to the north, Inhambane and Gaza to the south, Zimbabwe to the west and Sofala to the east. It has an approximate population of 1.23 million of which 71.8% are rural in area of approximately 61,661 sq. km. Of the total population about 20% are female heads of households. In 2000 about 68% of the women were illiterate. The Province has one of the highest HIV/AIDS prevalence rates in the country at 19.6% in 2003. The Province’s main economic activity is the production of fruits, vegetables and crops such as maize, rice, sorghum, millet, groundnuts, beans, cassava, and sweet potatoes.

4.2.5. *Sofala* has an area of about 68,018 sq. km. and a population of approximately 1.5 million of which 59% are rural and 21% are female heads of households. The capital of the Province is Beira and it borders the Manica, Tete, and Zambezia Provinces, with access to the ocean. In 2000 about 74% of the women in the Province were illiterate. Sofala is also among the Provinces with the highest HIV/AIDS prevalence rate at 26.5% in 2003. The Province is one of the largest producers of cassava, sweet potatoes, and maize. Sofala is one of the Provinces in the country where new agriculture research has enabled production of vegetables and rice in two cycles per year, thereby increasing production locally.

4.2.6. According to the 2004 Vulnerability Assessment, 66% of MHH in Sofala and Manica indicated that the main source of income was from agriculture, followed by formal employment and informal employment (8%). In comparison, 82% of the FHH in Sofala and Manica indicated that their main source of income was from agriculture, followed by 5% being engaged in informal work and less than 1% were engaged in formal employment. The same report indicates that the majority of the men receive payment in cash whereas women are remunerated in cash as well as in kind. The difference between men and women is significant in these Provinces, with 50% of the men being paid in cash as against a mere 20% of the women.
4.2.7. Moreover, FHH, tend to plant more cassava and sweet potato (67%), and beans (56%) being crops that require less labour. Drought and malarias were cited as the most critical shocks and having a great impact on rural household food security in Manica and Sofala. The average total number of shocks suffered in the past 12 months in the Manica and Sofala provinces for FHH were reported to be 6.5 as compared to that for men being 6. Moreover, the percentage of FHH that went through food stress in Sofala in the past 12 months were reported to be 41% as compared to MHH which was 43%. In Manica 68% of FHH went through food stress in the past 12 months as compared to 43% for MHH.

4.3. Strategic Context

The project concept is based on the strategies outlined in the Agriculture Sector Gender Mainstreaming Strategy and Action Plan, PNAM, and the MDGs through the PARPA which emphasize the need to address rural poverty and food insecurity by empowering communities to generate income sustainably. Thus, The project is in line with the national PARPA, the National Action Plan for Advancement of Women, as well as the Agriculture Development Strategy. Furthermore, it is in line with the Bank’s Agriculture and Rural Development Policy in terms of empowering the rural population to improve their productivity and real incomes, the MDG objectives for poverty reduction and promoting gender equality; as well as the Bank’s Gender Policy with regards to agro-processing and marketing, women friendly technologies. All these aim at ensuring food security, commercialisation of agriculture, income enhancement and poverty reduction. The selection of interventions is also underpinned by the ADF X Plan of Action with respect to poverty reduction and rural entrepreneurship development, which include support for institutional capacity building and promoting farmers’ access to assets, technology, markets, and improving food security. Furthermore, the project is in line with the NEPAD/ CAADP pillars, specifically those related to improving rural infrastructure and trade-related capacities for market access, promoting investments contributing to increasing food supply and reducing hunger. Last but not least, the Project is in line with the Mozambique Joint Review Findings (2005) and the outlines of the CSP (2005 – 2009).

4.4. Project Objective

The sector goal of the project is to contribute to increased capacity for improved household food security and to reduced poverty for rural women in a sustainable way. The project objectives are to (i) improve household skills for reducing food insecurity levels and duration, (ii) to build capacity in entrepreneurship and technical skills for food processing; (iii) to build the capacity at the national and provincial levels for gender mainstreaming and HIV/ AIDS in the planning process.

4.5 Project Description

Detailed Description of Project Components

4.5.1. The Project will comprise two components: 1) Rural Livelihoods Promotion and Marketing Support; and 2) Institutional Support.

(A) Rural Livelihoods Skills Promotion and Marketing Support

4.5.2. The main outcome of this component will be 4,500 women trained in basic business management and agro processing skills as alternative economic activities and to mitigate
household food insecurity. Further, 900 women will be selected from the previous group and trained in advanced entrepreneurship and business-start up skills. This component seeks to achieve this through three sub-components: (a) entrepreneurship and technical skills development; (b) agro-processing technology, and (c) marketing support.

(a) Entrepreneurship and technical skills development

4.5.3. This sub-component will provide training to rural women organised in groups in three areas: (i) basic business management skills, (ii) agro-processing skills training, (iii) business start-up and entrepreneurship development training. The beneficiaries for the training will be selected as per the criteria mentioned above. Specialised training service providers and NGOs will be recruited to deliver the training activities. The project coordinator together with the Provincial and District agriculture officer as well as the MMAS representatives will guide the process through regular participatory monitoring and evaluation visits and progress reports from the training service provider.

(i) Basic business management training

4.5.4. This will include 350 training sessions, delivered to groups of women, in functional literacy, basic principles of business management, rural marketing strategies, basic bookkeeping, human resource management, and leadership and communication skills. This activity will enable the women to practice basic business for village level trading and production activities. Other experiences in the country show that functional literacy training significantly improves women’s livelihood strategies as well as serves to attract them for training.

(ii) Agro-processing skills training

4.5.5. This activity will be demand driven in that the 4,500 women beneficiaries (in 350 groups) will select a skill of their interest to be trained upon. A menu of training activities, from which the women will choose the activity of their interest, to be offered under the project are: grain milling, bread, biscuits and cakes making, jams and fruit juice concentrate processing, cheese and butter processing, tomato paste and preservable sauce making, fruit and vegetable dehydration and preservation, edible oil processing, peanut butter making, cassava drying and processing, and Soya milk processing. Other activities may emerge during the project life that are of interest to a significant number of women in the project area. This may be raised with the Bank for discussion on cost implications and if found feasible may be accommodated within the project. The district and provincial technical officers of the MMAS and the specialised training service providers will be involved in mobilising the groups and sensitising them on the activities of the project. The technical officers will then register the interests of the women’s groups for training and forward the lists to the Project Manager for further implementation. Experienced and specialised training service providers and NGOs will be recruited to provide these services.

4.5.6. The National Institute of Standardisation and Certification under the Ministry of Industry and Commerce (INNOQ) will be responsible for developing standardisation guidelines and measurements for at least 3 products processed under this project. The 3 products for which guidelines will be prepared, will be selected in consultation with the beneficiaries, the provincial and districts implementation partners as well as the selected training service provider. INNOQ will also provide certification of some of the processed products which are proved to have potential for national and regional exports. Moreover,
the groups of women entrepreneurs will be trained in maintaining food processing
standards, quality control, and standards of production. The processed products will be
tested at least once during the project in specialised food technology and control
laboratories available in Beira as well as Maputo. Moreover, 1 monitoring and inspection
visits per group per year will be conducted to ensure that the agreed upon food processing
quality and standards are met.

4.5.7. It is expected that through the agro-processing skills training, rural households will
be able to store the processed foods for up to six months, thereby ensuring food supply for
consumption during post-harvest, drought, and other hunger periods. Other proven
experience in Manica Province shows that such processed products are typically sold in
small quantities in local markets as well as exchanged in return for other products necessary
for household consumption.

(iii) Business start-up and entrepreneurship development training

4.5.8. Based on existing experience in the Country, it is expected that not all rural women
will want to graduate to full-time entrepreneurs and business owners. This may be for
reasons such as: they are risk averse, the women have other multiple household
responsibilities at home, there is an ill member of the household who needs full time care,
or they do not have adequate confidence in business management, etc. Therefore, it is
expected that about 20% of the total beneficiaries may want to graduate to becoming micro-
scale business women and entrepreneurs. Thus, experienced local training service providers
will be recruited to target at least 900 women as individuals or in groups to undertake
advanced training in business start-up and entrepreneurship development. The training will
include strategies for business start-up, registration, legal and institutional aspects for
business start-up, product identification and development, market survey and identification,
advanced marketing strategies, packaging, networking, and accessing working capital from
the financial market. After the training, the project will give technical guidance to the
women entrepreneurs in identifying and accessing working capital from the locally
available financial institutions. That is, the project will assist in linking the entrepreneurs to
local banks and other micro-credit providers only. INNOQ will assist these business women
in product development and maintaining established standards and quality control.

4.5.9. In order for the women’s groups to be operational on a sustainable basis, they will
need to be registered as business associations. The project recognises that not all
beneficiaries trained under this project may wish to be part of an association which indicates
that only about 1,500 women organised in groups (selected/ volunteered from the advanced
entrepreneurship programme and the basic business management training programme) of at
least ten members will be attracted to register as business associations. Thus, experienced
and specialised training service providers or NGOs will be recruited to support registration
of about 100 existing women’s groups and 50 newly established women’s groups, into
business associations. This activity will include drafting the constitution, by-laws, structure,
reporting systems, etc. The project recognises that the legal and policy framework for
registration of such associations is slightly complicated and thus the rural women will need
technical guidance in getting their associations legally registered.

(b) Agro-processing Technology

4.5.10. This sub-component will include the procurement of agro-processing equipment
such as small scale grain mills, traditional ovens, jams and fruit juice concentrate
processors, cheese and butter processors, tomato paste processors, manual edible oil presses, peanut butter processors; fruit and vegetable dehydration equipment, cassava processors, and Soya milk processors. Due to the project being a pilot intervention, the agro-processing equipment will be provided to the women’s groups on a matching grant basis. The group will be required to put up 20% of the cost and the project will contribute to the other 80% of the cost, in the form of a grant. The processing machines and tools can be bought locally and/ or regionally as there are several private sector companies who manufacture them in Maputo and provide training on the operation of the equipment to the beneficiaries. Moreover, spare parts are easily available in the Provinces, as they are already carried by private sector operators in Chimoio and Beira. The equipment will be owned by the group and each member will have access to the machine on a pre-arranged schedule for processing her own produce. Each member will be required to pay a certain amount (agreed by the group) into the associations account for the maintenance and repair of the machines, as well as running costs such as payment for electricity or other source of energy needed to run the machines.

(c) Marketing Support

4.5.11. Household food-security and rural trade promotion will be one of the main focuses for the development of rural enterprise. Therefore this sub-component will support promotion and marketing of rural processed foods through linking the most efficient 50 trained women’s groups who meet quality standards to private sector agro-processing operators. This approach is anchored in the proven experiences of Africare, Care International, and UNIDO (see section 3.5. above). Thus, the project will replicate this method in the Provinces of Manica and Sofala. An experienced and specialized training service provider will be recruited for developing these linkages between the women’s groups and the private sector operators, through networking, product display and sampling, price and contract negotiation. Furthermore, 1 representative from 20 women’s groups will be supported to participate in 2 national and at least 2 regional trade fairs per year, 1 networking visit per year to source new niche markets and opportunities for increased sales, 4 study tours (over the project life) to learn from success stories in the area of agro-processing, learning and adoption of improved processing and packaging technologies. The project, through the Provincial and District representatives, will liaise with the Office for the Promotion of Agriculture Commercialisation (GPSCA) under the Ministry of Agriculture, as well as the Export Promotion Agency (IPEX) under the Ministry of Industry and Commerce for the participation of women in study tours and trade fairs. Moreover, the component will support the publication of at least 5 success story cases as means of advertising the women’s groups’ products. The publications in the form of 4000 pamphlets, in English and Portuguese languages, will be distributed for increased networking within the country as well as abroad.

(B) Institutional Support

4.5.12. No new project management unit will be created under this project. Thus, the Project Management Team will be located at the National Directorate for Women (DNM) within the Ministry of Women and Social Action (MMAS). The project will be managed through the existing structure of the DNM. Thus, the DNM will assign three staff members, whose qualifications and experience are acceptable to the Bank, for the positions of Gender and HIV/ AIDS Expert, Project Accountant and a secretary to comprise part of the Project Management Team. A full-time Project Coordinator will be recruited from project resources to head the Project Management Team due to the fact that DNM/ MMAS suffers from
human resources capacity constraint for this position. The Project Coordinator will have sufficient experience in agro-processing, agri-business development, management and training.

4.5.13. The project will also support one technical assistant who will have experience in rural entrepreneurship development. He/ she will be charged with assisting the project coordinator in implementation and monitoring of the various short term entrepreneurship training, marketing related activities, formation of business groups and linking them to credit institutions. Moreover, he/ she will play an advisory role to the DNM and the participating Provinces in issues related to project activities and implementation. The technical assistant will also focus on quality control, standardisation and certification processes. Furthermore a short-term procurement consultant will be recruited for six months in PY1 and three months in PY2, who will assist in the procurement of project inputs. The project will also support the costs of annual auditing of project accounts. Moreover, a short-term consultant will be recruited for the monitoring and evaluation activities in the project. The M&E expert will be required to put an extensive M&E mechanism in place as well as train the different implementation partners in monitoring and reporting the project activities. A short term (3 months) financial analyst consultant will be recruited to help the project accountant to put in place a comprehensive accounting and financial records keeping system.

4.5.14. Therefore, the Project Management Team (PMT) will be provided under this project with office technology and equipment, field allowances for some of the staff and some specific office running expenses. One vehicle will be needed for the project coordination and field monitoring and evaluation visits. Since most of the project activities will be implemented at the community level, the 2 DNM Provincial and 8 District Offices will support the project in planning, implementation, monitoring and evaluation of the project activities at the local level. The project will also provide office automation and information technology to the MMAS and DNM Provincial and District offices of the participating Provinces. The 2 participating DNM Provincial Offices and 8 DNM District offices will be supported with 1 motorcycle each (10 in total) to support the outreach, monitoring and evaluation of the women’s business groups. Specifically the project will provide for training to the selected staff of DNM as well as MMAS Provincial and District offices and the 8 district agriculture offices in project planning, management and implementation, leadership and communication skills, different computer software such as Excel, PowerPoint, Word, SPSS, internet and email services, as well as courses in English Language.

4.5.15. Moreover, the project will support 150 gender sensitisation and awareness raising training on women’s economic empowerment rights targeted to the communities, community leaders and elders as well as selected provincial and district administrators. Moreover, 200 HIV/ AIDS awareness raising campaigns will also be targeted to these target groups and direct beneficiaries of the project.

4.6. **Project Costs**

4.6.1. The total project cost including physical and price contingencies are estimated at UA 2.81 or MZM 80.53 billion. The foreign exchange component of the project cost is estimated at about UA 1.33 (47% of the total cost) while local cost will amount to about UA 1.48 (53% of the total project cost). According to the project’s assessment and experience in other on-going donor projects in the country, most of the services can be sourced locally
especially the training in business management skills which will entail training women in rural areas.

4.6.2. The following physical contingencies have been assumed: 5% for vehicle, motorcycles, equipment, training, studies and recurrent costs; and 0% for the other expenditure categories. The cost estimates are based on the June 2005 prices. The price contingencies adopted for the project are based on the domestic prices, in line with current and projected inflation figure which is assumed at 5 per cent per annum, all through programme period. For the foreign costs, the inflation rates are based on the MUV index of Manufactured Exports from the G-5 industrial countries and are estimated at 2.5 percent. The costs of the project by component and by category of expenditure are summarized in Table 4.1 and 4.2 below:

Table 4.1. Summary of Project Cost Estimates by Components

<table>
<thead>
<tr>
<th>Component</th>
<th>(Local Million MZM)</th>
<th>(UA '000)</th>
<th>% Foreign Exchange</th>
<th>% Total Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Local</td>
<td>Foreign</td>
<td>Total</td>
<td>Local</td>
</tr>
<tr>
<td>1. Rural Livelihood Promotion and Market Support</td>
<td>30,281.3</td>
<td>23,031.3</td>
<td>53,312.5</td>
<td>1,057.2</td>
</tr>
<tr>
<td>2. Institutional Support</td>
<td>5,957.5</td>
<td>12,042.5</td>
<td>18,000.0</td>
<td>208.0</td>
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<tr>
<td>TOTAL BASELINE COSTS</td>
<td>36,238.8</td>
<td>35,073.8</td>
<td>71,312.5</td>
<td>1,265.2</td>
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<tr>
<td>Physical Contingencies</td>
<td>1,768.2</td>
<td>1,149.9</td>
<td>2,918.1</td>
<td>61.7</td>
</tr>
<tr>
<td>Price Contingencies</td>
<td>4,311.6</td>
<td>1,810.8</td>
<td>6,122.4</td>
<td>150.5</td>
</tr>
<tr>
<td>TOTAL PROJECT COSTS</td>
<td>42,318.6</td>
<td>38,034.5</td>
<td>80,353.1</td>
<td>1,477.5</td>
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Table 4.2. Summary of Project Cost by Category of Expenditure

<table>
<thead>
<tr>
<th>Category</th>
<th>(Local Million MZM)</th>
<th>(UA '000)</th>
<th>% Foreign Exchange</th>
<th>% Total Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Local</td>
<td>Foreign</td>
<td>Total</td>
<td>Local</td>
</tr>
<tr>
<td>I. Investment Costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Vehicles</td>
<td>-</td>
<td>1,300.0</td>
<td>1,300.0</td>
<td>-</td>
</tr>
<tr>
<td>B. Equipment</td>
<td>160.0</td>
<td>640.0</td>
<td>800.0</td>
<td>5.6</td>
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<tr>
<td>C. Training</td>
<td>25,893.8</td>
<td>18,393.8</td>
<td>44,287.5</td>
<td>904.0</td>
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<tr>
<td>D. Studies</td>
<td>1,625.0</td>
<td>1,625.0</td>
<td>3,250.0</td>
<td>56.7</td>
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<tr>
<td>E. Technical Assistance</td>
<td>-</td>
<td>9,900.0</td>
<td>9,900.0</td>
<td>-</td>
</tr>
<tr>
<td>F. Matching Grants</td>
<td>875.0</td>
<td>875.0</td>
<td>1,750.0</td>
<td>30.5</td>
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<tr>
<td>Total Investment Costs</td>
<td>28,553.8</td>
<td>32,733.8</td>
<td>61,287.5</td>
<td>996.9</td>
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<td>II. Recurrent Costs</td>
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</tr>
<tr>
<td>A. Staff Salaries</td>
<td>4,440.0</td>
<td>-</td>
<td>4,440.0</td>
<td>155.0</td>
</tr>
<tr>
<td>B. Field Allowances</td>
<td>1,425.0</td>
<td>-</td>
<td>1,425.0</td>
<td>49.8</td>
</tr>
<tr>
<td>C. Vehicle Operation Expenses</td>
<td>260.0</td>
<td>780.0</td>
<td>1,040.0</td>
<td>9.1</td>
</tr>
<tr>
<td>D. Office Running Expenses</td>
<td>1,560.0</td>
<td>1,560.0</td>
<td>3,120.0</td>
<td>54.5</td>
</tr>
<tr>
<td>Total Recurrent Costs</td>
<td>7,685.0</td>
<td>2,340.0</td>
<td>10,025.0</td>
<td>268.3</td>
</tr>
<tr>
<td>TOTAL BASELINE COSTS</td>
<td>36,238.8</td>
<td>35,073.8</td>
<td>71,312.5</td>
<td>1,265.2</td>
</tr>
<tr>
<td>Physical Contingencies</td>
<td>1,768.2</td>
<td>1,149.9</td>
<td>2,918.1</td>
<td>61.7</td>
</tr>
<tr>
<td>Price Contingencies</td>
<td>4,311.6</td>
<td>1,810.8</td>
<td>6,122.4</td>
<td>150.5</td>
</tr>
<tr>
<td>TOTAL PROJECT COSTS</td>
<td>42,318.6</td>
<td>38,034.5</td>
<td>80,353.1</td>
<td>1,477.5</td>
</tr>
</tbody>
</table>
4.7. Sources of Financing and Expenditure Schedule

The ADF funding to the Project will be to the tune of UA 2.51 (equivalent to 89.4% of the total project cost). This will be for the investment cost items namely equipment, training, studies and preparation guidelines for the standardisation of products, technical assistance and some of the recurrent cost items, such as field allowances for project staff. The GOM will support the project to the tune of UA 284,100 (10.1%). This will cover the costs of salaries and office running expenses for the participation of the DNM/ MMAS in the project. The beneficiaries will contribute UA 13,200 (0.5% of the total project cost, equivalent to 20% of the matching grants). The proposed financing plan for the ADF Project by Source of Funds is given in table 4.3. below.

Table 4.3. Sources of Finance - (UA ’000)

<table>
<thead>
<tr>
<th>Source</th>
<th>Foreign Exchange Costs</th>
<th>Local Costs</th>
<th>Total Costs</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADF</td>
<td>1,327.9</td>
<td>1,180.2</td>
<td>2,508.1</td>
<td>89.4%</td>
</tr>
<tr>
<td>GOM</td>
<td></td>
<td>284.1</td>
<td>284.1</td>
<td>10.1%</td>
</tr>
<tr>
<td>Beneficiaries</td>
<td></td>
<td>13.2</td>
<td>13.2</td>
<td>0.5%</td>
</tr>
<tr>
<td>Total</td>
<td>1,327.9</td>
<td>1477.5</td>
<td>2,805.4</td>
<td>100%</td>
</tr>
</tbody>
</table>

5. PROJECT IMPLEMENTATION

5.1. Executing Agency

The Ministry of Women and Social Action (MMAS) will be the executing agency. By this the Project Management Team will be located in the DNM under the MMAS and its role will be to coordinate the day-to-day implementation of the activities under the project for the different target beneficiaries (see section 3.2.1. for detailed analysis). The MMAS has experience in project management and implementation as it has benefited from the earlier Bank Funded Poverty Reduction Project (now towards completion) and has also benefited from several grants from the UNFPA. The Ministry has a high calibre of specialised staff who are highly motivated. The Minister of MMAS has currently undertaken a wide reaching national and regional staff reshuffle with the aim of refocusing and emphasising bottom-up gender and development approach with extensive community participation. This recent staff reorganisation is expected to provide greater capacity to MMAS to address local and community level gender gaps while also handling them at the policy level.

5.2. Organisation and Management

5.2.1. The MMAS will appoint or assign three staff members, from its own resources, for the following positions of Gender and HIV/ AIDS Expert, project accountant and secretary, allocate office space for them and the short and long term technical assistants and consultants. A Project Coordinator will be recruited from project resources to head the project management team (PMT). A procurement consultant will be recruited for 6 months in PY1 and 3 months in PY2, a monitoring and evaluation expert will be recruited for 6 months in PY1, and a financial analyst will be recruited for 3 months in PY1. The team of short term consultants will support the project in their respective technical areas ensuring smooth implementation of project activities. The procurement expert will be responsible for ensuring that all procurement of goods and services is undertaken according to Bank Rules.
and Procedures, the financial analyst will be responsible in assisting the project accountant to put in place a comprehensive accounting and financial management and reporting systems, including maintaining daily records of transaction pertaining to project activities; while the M&E expert will put in place a comprehensive participatory monitoring mechanisms and reporting procedures including the communities and MMAS provincial and district offices. The Project Coordinator will be responsible for the coordination and implementation of the project activities for all the beneficiaries under the project, as well as preparation and submission of the relevant progress reports and Quarterly Progress Reports (QPR) to the Bank. Furthermore, the Project Coordinator will oversee the recruitment of relevant individual consultants and/ or firms or NGOs for the implementation of the training activities. The Project Management Team will report regularly to the Steering Committee and receive feedback, and undertake all procurement and disbursement functions under the project.

5.2.2. The Manica and Sofala Provincial Director of MMAS, respectively, will be responsible for coordination of project activities at the provincial level. The MMAS Provincial Director will give technical guidance and back-stopping support to the districts in terms of selection of beneficiaries as per criteria mentioned in the project document, assist in developing training plans and provide other logistical support to the districts and communities targeted in the project. The District Office of the MMAS will be directly responsible for implementation of project activities at the community level. The MMAS District Director, in coordination with the Provincial MMAS director, the District Agriculture Office, and the PMT, will select target communities and beneficiaries, assist in sensitising them on project activities, develop a training and awareness raising workplan, and supervise the implementation activities carried out by training service providers and/ or NGOs. The MMAS District Director will report regularly on implementation progress to the Provincial MMAS director and the PMT.

5.2.3. A Project Steering Committee (PSC) will be established, chaired by the Minister of MMAS. The PSC will have overall authority and policy guidance role over the project. The other members of the Steering Committee will be the MMAS HIV/ AIDS focal person, Director of Economic Affairs from the Ministry of Commerce and Industry, Director of Planning from Ministry of Health, Director of Rural Development from the Ministry of Planning and Development, Gender Focal Person of the Ministry of Agriculture, Ministry of Finance, Director of The Office for the Promotion of Commercial Agriculture Sector (GPSCA), President of CTA, and President of ACTIVA. The Project Coordinator will act as the Secretary to the Steering Committee. The PSC will meet twice a year during the project life and costs of the meeting will be part of the GOM contribution. The minutes of the Steering Committee meetings will be submitted to the ADF.

5.3. Supervision and Implementation Schedule

5.3.1. The overall Programme will be implemented over a 4 year period (2006 - 2009, see Annex III). Summary of the Expenditure Schedule for the ADF Project by Component and by Sources of Finance is given in Table 5.1 and 5.2 respectively.
Table 5.1. Expenditure Schedule By Component (UA’000)

<table>
<thead>
<tr>
<th>Component</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural Livelihood Promotion &amp; Marketing Support</td>
<td>235.9</td>
<td>602.6</td>
<td>712.0</td>
<td>571.2</td>
<td>2,121.6</td>
</tr>
<tr>
<td>Institution Support</td>
<td>276.8</td>
<td>152.0</td>
<td>140.6</td>
<td>114.4</td>
<td>683.8</td>
</tr>
<tr>
<td>Total</td>
<td>512.7</td>
<td>754.5</td>
<td>852.6</td>
<td>685.6</td>
<td>2,805.4</td>
</tr>
</tbody>
</table>

Table 5.2. Expenditure Schedule by Sources of Finance (UA’000)

<table>
<thead>
<tr>
<th>Source of Finance</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADF</td>
<td>444.9</td>
<td>608.7</td>
<td>775.4</td>
<td>607.0</td>
<td>2,508.1</td>
</tr>
<tr>
<td>GOM</td>
<td>66.4</td>
<td>69.4</td>
<td>72.5</td>
<td>75.8</td>
<td>284.1</td>
</tr>
<tr>
<td>Beneficiaries</td>
<td>1.4</td>
<td>4.4</td>
<td>4.6</td>
<td>2.8</td>
<td>13.3</td>
</tr>
<tr>
<td>Total</td>
<td>512.7</td>
<td>754.5</td>
<td>852.6</td>
<td>685.6</td>
<td>2,805.4</td>
</tr>
</tbody>
</table>

5.3.2. During implementation, the Bank will closely supervise the project twice per year and the Bank’s Regional Office will assist in the regular follow-up of the project. A mid-term review will be conducted at the end of PY2. A Project Completion Report (PCR) will be prepared both by the GOM and the Bank by the end of PY4.

5.4. Procurement Arrangements

5.4.1. Procurement arrangements are summarized in Table 5.3 below. All procurement of goods, works and acquisition of consulting services financed by the Bank will be in accordance with the Bank's Rules of Procedure for Procurement of Goods and Works or, as appropriate, Rules of Procedure for the Use of Consultants, using the relevant Bank Standard Bidding Documents.

5.4.2. **Goods**: The procurement of office automation, one vehicle and 10 motorcycles, for monitoring and supervision, and for transporting trainers, training and advocacy material as well as office equipment, valued at UA 75,800 overall, will be carried out through National Shopping (NS) procedures. NS will be used because the equipment is of such value and quantities that their supply will not interest suppliers outside Mozambique and there are local suppliers in sufficient numbers readily available to ensure competitive bidding.

5.4.3. **Consulting Services and Training**: The cost of studies refers to the preparation of standardisation and quality control guidelines, and a base line study for monitoring and evaluation purposes, and audit expenses. These activities worth UA 129,300 will be contracted to appropriate institutions, trainers, NGOs or other training service providers, acceptable to the Bank, using the Shortlist procedure, in accordance with the Bank’s “Rules of Procedure for the Use of Consultants”.

5.4.4. Services for training and workshops worth UA 1,773,100 will be procured as follows: short term local training will be procured through shortlists of training institutions. The selection procedure of these institutions will be based on establishing the comparability of contents of the training courses and selection of the lowest financial offer. Training workshops and sensitisation campaign for government staff and communities will be procured through a shortlist of qualified institutions that offer the type of training required. The PMT will work with the relevant beneficiary institutions in identifying the appropriate training institutions. In the case where the services of consultants to facilitate such services
will be needed, especially the workshops, procurement of such consultants will be done in accordance with Bank Group’s “Rules of Procedure for the Use of Consultants”.

5.4.5. Technical assistance, including one long term entrepreneurship promotion expert, project coordinator, M&E officer, financial analyst, in addition to short term procurement consultant, worth UA 360,100, will be procured on the basis of a shortlist of qualified individuals, in accordance with Bank Group’s “Rules of Procedure for the Use of Consultants’. The Executing Agency will advertise the positions nationally and regionally because the amounts involved for each particular contract are relatively small.

5.4.6. Miscellaneous: Recurrent expenditure items such as the payment of field allowances, salaries and office operation expenses worth UA 117,100, and Matching Grants worth UA 66,100 will be procured by GOM using its regular procedures which have been reviewed and found acceptable.

5.4.7. National Procedures and Regulations: Mozambique’s national procurement laws and regulations have been reviewed and determined to be acceptable.

5.4.8. Executing Agency: The MMAS Provincial and District Offices will submit their annual work plan for implementation of project activities to the project coordinator. The procurement of goods/ consulting services/ training services will be done at the Project Coordinator’s level. A Procurement Officer will be recruited for six months in PY1 and 3 months in PY2 with the responsibility to undertake the procurement of the respective services and goods in line with the Bank's procurement rules and procedures as specified in this report are followed. There will be a launching workshop prior to project take-off during which the Bank’s Procurement and Disbursement Units will participate and the various stakeholders will be familiarized with the Bank’s Rules and Procedures for Procurement and Disbursement. In addition, some members of the PMT will visit the Bank to familiarize themselves with the Bank's procurement process.

5.4.9. General Procurement Notice and Review Procedures: The text of a General Procurement Notice (GPN) will be agreed with the Ministry of Economic Development and it will be issued for publication in UN Development Business, upon approval by the Board of Directors of the Grant Proposal. The following documents are subject to review and approval by the Bank before promulgation: Shortlists; Tender Documents/Requests for Proposals; Tender Evaluation Reports; and Draft Contracts if these have been amended from the drafts included in the tender invitation documents.
Table 5.3. Summary of Procurement Arrangements (UA’000)

<table>
<thead>
<tr>
<th></th>
<th>NATIONAL SHOPPING</th>
<th>DIRECT PURCHASE</th>
<th>SHORT LIST</th>
<th>N.B.F.</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Goods</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1 Vehicles</td>
<td>46.0 (46.0)</td>
<td></td>
<td></td>
<td></td>
<td>46.0 (46.0)</td>
</tr>
<tr>
<td>1.2 Equipment</td>
<td>29.8 (29.8)</td>
<td></td>
<td></td>
<td></td>
<td>29.8 (29.8)</td>
</tr>
<tr>
<td><strong>2. Consulting Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1 Studies</td>
<td></td>
<td>99.3 (99.3)</td>
<td></td>
<td>99.3</td>
<td>99.3 (99.3)</td>
</tr>
<tr>
<td>2.2 Audit</td>
<td>30.0 (30.0)</td>
<td></td>
<td></td>
<td></td>
<td>30.0 (30.0)</td>
</tr>
<tr>
<td>2.3 Technical Assistance</td>
<td>360.1 (360.1)</td>
<td></td>
<td></td>
<td>360.1</td>
<td>360.1 (360.1)</td>
</tr>
<tr>
<td>2.4 Training</td>
<td>1,773.1 (1,773.1)</td>
<td></td>
<td></td>
<td>1,773.1</td>
<td>1,773.1 (1,773.1)</td>
</tr>
<tr>
<td><strong>3. Miscellaneous</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1 Matching Grant</td>
<td>66.1 (52.9)</td>
<td></td>
<td></td>
<td></td>
<td>66.1 (52.9)</td>
</tr>
<tr>
<td>3.2 Staff Salaries</td>
<td>-</td>
<td>179.8</td>
<td></td>
<td></td>
<td>179.8</td>
</tr>
<tr>
<td>3.3 Field Allowances</td>
<td>57.5 (57.5)</td>
<td></td>
<td></td>
<td></td>
<td>57.5 (57.5)</td>
</tr>
<tr>
<td>3.4 Vehicle Operating Expenses</td>
<td>40.6 (40.6)</td>
<td>-</td>
<td></td>
<td>-</td>
<td>40.6 (40.6)</td>
</tr>
<tr>
<td>3.5 Office Operating Expenses</td>
<td>19.0 (19.0)</td>
<td>104.3</td>
<td></td>
<td>123.3</td>
<td>123.3 (19.0)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>75.7 (75.7)</td>
<td>183.2 (169.9)</td>
<td>2,262.4 (2,262.4)</td>
<td>284.1</td>
<td>2,805.4 (2,508.1)</td>
</tr>
</tbody>
</table>

Note: The figures in parentheses are the respective amounts financed by the African Development Fund.

5.5. Disbursement Arrangements

The special account method and the direct payment method will be used for disbursement. The DNM/ MMAS will open one (1) Special Account (SA) in foreign currency and one (1) Local Currency Account (LCA) in a local bank acceptable to the ADF. The LCA will be used to receive transfers from the Special Account for operating costs and other costs incurred in local currency. The respective payment methods will be used according to Bank’s Disbursement Rules and Procedures. Funds to be utilised for procurement of consulting services (Project experts) would be disbursed via direct payment. Funds to be utilised for other activities financed by ADF would be disbursed into the special account. The ADF will replenish the SA after the project has used at least 50% of the previous deposit and provide valid justifications for its use to the Bank. The PMT will maintain records at all times of all disbursements made by the Bank. The opening of the SA and the LCA will be a condition precedent to first disbursement of the grant. The Bank will closely monitor the management of these accounts by PMT through routine desk review, effective technical supervision and prompt and thorough annual audits.

5.6. Monitoring and Evaluation

5.6.1. The basis for the overall project monitoring and evaluation will be the logical framework. In addition, other indicators for monitoring project effectiveness will be increased food security periods amongst participating households, the number of households in the participating provinces and districts which have information on
entreprenurship development and that they have gained awareness and empowerment to start a small business; the number of households who view their economic activities as a business rather than subsistence; the number of households who have gained knowledge on gender mainstreaming concept as part of the community sensitisation campaigns; the number of provincial and district level technical staff using the gender mainstreaming techniques in their work; the number of community development plans which have integrated market oriented activities; increased coordination and networking visits and meetings between the DNM/ MMAS and the provincial and district level officers; and incremental participation of women in community focused activities both GOM initiated interventions as well as intra-community activities.

5.6.2. A monitoring and evaluation expert will be required to put in place an extensive monitoring and evaluation system and reporting process as well as develop process and output monitoring indicators for reporting. He/ she will develop a reporting format and guide the provincial and district administration in the use and preparation of M&E reports for the project (see detailed TOR for further information). The monitoring indicators will compare project performance each year with the targets set in the annual work plan and budget for that year. The general principle for the participatory monitoring of project activities will include, the provinces and district administrations will monitor their activities and performance, as well as inputs and output achievements.

5.6.3. Furthermore, quarterly progress reports will be prepared by the PMT and forwarded promptly to the Bank for review. These reports will highlight key implementation issues and recommend actions for their resolution. Similarly, the Bank will also closely monitor the project by undertaking regular supervision missions to evaluate implementation progress. The Bank’s Regional Office in Maputo will assist in the regular follow-up of the project. The PMT will ensure that the accounts of the project are audited at the end of every year and that the audit report is submitted to the Bank promptly in accordance with the ADF’s General Conditions relating to financial reporting.

5.7. **Financial Reporting and Auditing**

The PMT will maintain the project’s accounts by category of expenditure and source of funding and put in place a system of internal control to ensure prompt recording of transactions, timely production of accounts and reports and safeguard project assets. Financial records will be maintained in accordance with internationally acceptable accounting procedures. The Project Coordinator together with the accountant will prepare monthly financial statements that will be consolidated by them into quarterly financial statements to be included as a section of the Quarterly Progress Reports. An independent audit firm acceptable to the Fund will audit the financial statements of the project annually. The PMT will submit the audit report to the Fund for review and comments within six months after the end of each financial year. An allocation has been made in the project to cater for the costs of engagement of an independent external auditor. The Fund will closely monitor project activities and ensure that the Executing Agency unequivocally complies with the Bank’s Guidelines for Financial Reporting and Auditing.

5.8. **Aid Coordination**

The Appraisal Mission consulted extensively with donor representatives in the country. All donors consulted by the mission were very supportive of the Project and see its potential for poverty reduction amongst the vulnerable population in the rural areas.
Discussions have revealed that no similar intervention, of this scale, currently exists in the country. A Donor Coordination Group comprising all donors concerned meets once a month in Maputo. This Group is charged with coordinating donor interventions in the country and ensuring that overall support to the country is in line with the Government’s priorities. In addition, the international development partners are very active in Mozambique, supporting gender issues in a Gender Donor Co-ordination Group chaired by the UNFPA. Thus the proposed project falls in line with the overall donor support in Mozambique. The project launching mission will update the donor group of the progress made in the project implementation. Moreover future project supervision missions will continue to participate, together with the Bank’s Regional Office, in the overall donor coordination group as well as the gender donor meetings while in the country and will follow-up on any new donor driven gender programmes. The present project does not overlap or infringe upon other regional or national activities supported by other donors.

6. PROJECT SUSTAINABILITY AND RISKS

6.1. Recurrent Costs

The total recurrent cost of the project amounts to UA 401,100. This covers expenditure items such as salaries of Government staff to be seconded to work on the project, field allowances and office operating expenses. The Government will provide UA 284,100 (71%) to meet the cost of staff salaries and office operation expenses of the DNM/MMAS while the Bank will contribute UA 117,000 (29%) for the payment of field allowances for the project staff and vehicle operating expenses. Most of the staff positions earmarked for secondment to the project do have their salaries already included in the National Budgets thus this is not going to cause any significant additional strain on the Government’s resources.

6.2. Project Sustainability

The sustainability of the project will be ensured through the impact it will have in the long term. In terms of Project Management, no new structures will be created and thus the project related activities will be mainstreamed within the work plan of the provincial and district administration, ensuring continued follow-up after the project. Furthermore, the female entrepreneurs will be trained and empowered to work in business associations which will be self-managed. The women will also be enabled to access financial and business services from the local training service providers, thereby ensuring continuity of their enterprises after the project. The business associations are also expected to become viable to the extent that new female entrepreneurs would want to become members. In this case, the association will support them in accessing entrepreneurial and skills training from the local training service providers or on a learning-by-doing method. The business associations will, through membership fees be financially sustainable. While, the food-processing equipment will be owned by the business associations through their contributions to the maintenance and operations of the machines, other small tools and inputs will be bought by the individual entrepreneurs through their market access to finance. Furthermore, sustainability will also be ensured by the proactive involvement of the provincial and district staff in monitoring of PARPA and MDG targets.
6.3. **Critical Risks and Mitigation Measures**

6.3.1. The goal of the project may not be achieved if the GOM shifts its policy focus from food security coping strategies. However, to date the GOM has made a policy decision through the PARPA to put increased focus on women’s poverty reduction and women’s food’s security strategies.

6.3.2. A critical risk also identified is that if women do not allocate enough time away from their daily chores to attend the training sessions, they may not be able to get the full benefit of the planned project activities. The strategy proposed to mitigate this risk is that the training will be carried out in their respective communities, at a time and place convenient to the beneficiaries, and in the local language. Furthermore, the timely implementation of the training activities may be at risk if qualified and experienced service delivery providers are not in place in the respective districts in the planned timeframe. This risk is mitigated by an in-depth analysis of training service providers in the country which concludes that there are sufficient number of training service providers in the form of NGOs, training firms, and/ or individuals who are willing to provide services in the rural areas.

6.3.3. A critical risk in establishing agro-processing production groups is if primary agriculture commodities needed for raw materials do not continue to be available locally. This risk is mitigated by the fact that the agriculture and vegetable production in the selected provinces have continued to report increased growth over the past two years.

6.3.4. Furthermore, a risk identified on the institutional development issues is that if the trained staff decides to leave civil service for other more attractive jobs. This risk is mitigated by the fact that the training for project staff is short term local training which will be specific to project implementation and supervision activities, and therefore does not any unique skills that are not otherwise available in the job market.

6.3.5. The project benefits may not be sustained if the number of positions as counterpart staff are not satisfactorily filled before start of the project. However, this risk will be mitigated because the GOM is already in the process of recruiting qualified and relevant staff for the respective vacant positions. Nevertheless, the issue will be maintained as a project condition.

6.3.6. Finally, the project has identified any future increase in HIV/ AIDS prevalence amongst beneficiaries and other stakeholders as risk. Increased infections may reduce the participation of women in the training sessions and eventually their productivity. The project has mitigated this risk by providing extensive awareness raising and advocacy on the threat of the pandemic and its impact and implications on the well-being of the household.

6.4. **Social Impact Analysis**

6.4.1. The Project will contribute to increased food security and alternative income generation activities of the target population. While 4,500 women will directly benefit from this project, it is estimated that at the household level direct and indirect benefits would reach up to about 25,000 persons in the two provinces. Processing of food products will enable increased shelf life of key nutritious fruits and vegetables, which would otherwise have been wasted due to lack of markets and transportation. Thus these foods can be
consumed by household members, especially children, during food stress periods and can also be used to sell or barter in local markets for other key food consumption items. Moreover, business and entrepreneurial skills enhancement will contribute to establishing better and sustainable entrepreneurial activities, and enable the local people to identify and address local problems with local solutions. Entrepreneurial activities and other support services will lead to job creation for skilled and semi-skilled artisans. It is envisaged that the business associations established under the project have the potential to increase production in the long-term and maintain quality standards to the extent that products can be pooled from the different associations in the four provinces for large quantity sales and exports.

6.4.2. Moreover, other income earning opportunities may also arise from the multiplier effect of increased investments in the rural areas. Such small enterprises will also provide a basis for economic diversification, which will enable rural households to be less affected by external shocks. Such activities will be particularly favourable for the youth, single women and female heads of households, whose vulnerability has increased and whose livelihoods have been affected by natural disasters and/or HIV/AIDS pandemic. It is also envisaged that the project will have a direct impact on improved nutrition at the household level, in addition to contributing to better accessing health and education services, especially for the girl-child. Moreover, the functional literacy and adult education activities in the project will help to reduce illiteracy amongst the adult population and contribute to increased awareness to the importance of education amongst the rural population.

6.4.3. The major output and benefit from the project will be the establishment of a food security system chain as well as an entrepreneurial culture which would empower rural people to diversify income sources and expand their economic opportunities which would contribute to increased well-being of all the household members. The establishment of the entrepreneurial culture would eventually translate into direct and indirect benefits to individual traders, smallholders and other rural dwellers who will progressively be economically empowered and who will contribute to provincial and national economic development.

7. CONCLUSION AND RECOMMENDATIONS

7.1. Conclusion

7.1.1. The proposed project is in conformity with the Bank Group’s Gender Policy, as well as the Mozambique CSP (2005 – 2009) recommendations. It is also in line with Mozambique’s PARPA and the outlines of the Second PARPA (2005 – 2009), the National Policy and Strategy on Women, as well as the National Plan of Action for the Advancement of Women. Moreover, the project contributes to the achievement of the second and third pillars outlined in the NEPAD/CAADP strategy. The thrust of the proposed project is to contribute significantly to the introduction of an entrepreneurial culture in the Manica and Sofala Provinces, and to promote effective gender mainstreaming and sustainable human development for poverty reduction strategies. The project will impact positively on food security and nutrition practices thereby promoting human and economic development in the districts.
7.2. **Recommendations**

It is recommended that an ADF grant not exceeding UA 2.51 be granted to the Republic of Mozambique for the purpose of implementing the project as described in this report, subject to the following specific conditions:

(A) **Conditions Precedent to Entry into Force of the Grant Protocol**

(i) The entry into force of the Grant Protocol shall be subject to its signature by the Recipient and the Fund;

(B) **Conditions Precedent to First Disbursement of the Grant**

The obligations of the Fund to make the first disbursement shall be conditional upon the entry into force of the Protocol of Agreement and the fulfilment by the Recipient of the following conditions:

The Recipient shall have, to the satisfaction of the Fund, provided evidence:

(i) Of the recruitment of the Project Coordinator and assignment of the remainder of the Project Management Team, including, without limitation, the positions of gender and HIV/AIDS expert, Project Accountant and secretary, each of whose qualifications, experience and terms of employment shall have been acceptable to the Fund (see section 5.2.1.);

(ii) That office space and has been assigned to accommodate the Project Management Team on terms and conditions acceptable to the Fund (see section 5.2.1.);

(iii) Of the establishment, and minutes of the first meeting, of a Project Steering Committee (PSC) chaired by the MMAS and Composed of the MMAS HIV/AIDS focal person, Director of Economic Affairs from the Ministry of Commerce and Industry, Director of Planning from Ministry of Health, Director of Rural Development from the Ministry of Planning and Development, Gender Focal Person of the Ministry of Agriculture, Ministry of Finance, Director of The Office for the Promotion of Commercial Agriculture Sector (GPSCA), President of CTA, and President of ACTIVA (the Project Coordinator will act as the Secretary to the PSC) (see section 5.2.3.);

(iv) Of opening a foreign currency special accounting a bank acceptable to the Fund into which the proceeds of the grant shall be deposited and which shall, at the option of the Fund, be interest bearing (see section 5.5.); and

(v) Of opening a local currency account in a bank acceptable to the Fund into which the proceeds of the grant, transferred from the foreign currency special account, shall be deposited for the project’s expenditure and which shall, at the option of the Fund, be interest bearing (see section 5.5).

(C) **Other Conditions**

In addition, the Recipient shall:

(i) Submit to the Fund within six months of the first disbursement, for clearance, a schedule for all the training to be undertaken under the project and the location thereof;
(ii) Ensure that the Project Management Team and all relevant consultants, experts and trainers recruited or otherwise engaged in connection with the Project (each of whose qualifications, experience and terms of engagement shall have been acceptable to the Fund) submit to the Fund, in form and substance satisfactory to the Fund, all reports, records and other output required by the Fund in a timely manner (see sections 5.6 and 5.7); and

(iii) Following the first such meeting thereof, submit to the Fund signed copies of the minutes of each PSC meeting within two (2) months after the concerned meeting (see section 5.2.3.).
ANNEX I: MAP OF THE PROJECT AREAS

This map was provided by the African Development Bank exclusively for the use of the readers of the report to which it is attached. The names used and the borders shown do not imply on the part of the Bank and its members any judgement concerning the legal status of a territory nor any approval or acceptance of these borders.
### ANNEX II  SUMMARY OF BANK GROUP ON-GOING PROJECTS

<table>
<thead>
<tr>
<th>Project title</th>
<th>Source</th>
<th>Approval date</th>
<th>Signature</th>
<th>Effectiveness</th>
<th>Final Disbursement</th>
<th>Amount Approved</th>
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<td>2-Sep-79</td>
<td>23-Nov-79</td>
<td>Suspended</td>
<td>2.67</td>
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<td>Project Description</td>
<td>Grantor</td>
<td>Start Date</td>
<td>End Date</td>
<td>Amount</td>
<td>Status</td>
<td>Percentage</td>
<td></td>
</tr>
<tr>
<td>-----------------------------------------------------------------</td>
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<td>------------</td>
<td>--------------</td>
<td>------------------</td>
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<tr>
<td>Beira-mashipanda road (grant)</td>
<td>TAF</td>
<td>27-May-88</td>
<td>7-Nov-89</td>
<td>0.83</td>
<td>31-Dec-00</td>
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<tr>
<td>Beira corridor transport system</td>
<td>ADF</td>
<td>27-May-88</td>
<td>7-Nov-89</td>
<td>17.45</td>
<td>31-Dec-00</td>
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<td>Transport programme</td>
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<td>1-Dec-92</td>
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<td>30-Sep-93</td>
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<tr>
<td>Transport programme.</td>
<td>ADF</td>
<td>1-Dec-92</td>
<td>31-Mar-00</td>
<td>23.95</td>
<td>13-Jan-94</td>
<td>100.0%</td>
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<tr>
<td>Pemba-montepeuz road rehabilitation</td>
<td>ADF</td>
<td>25-Jan-97</td>
<td>31-Dec-05</td>
<td>26.00</td>
<td>13-Jun-01</td>
<td>100.0%</td>
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<tr>
<td>Beira corridor transport system</td>
<td>ADF</td>
<td>27-May-88</td>
<td>30-May-89</td>
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</tr>
<tr>
<td>Transport programme</td>
<td>TAF</td>
<td>1-Dec-92</td>
<td>30-Sep-93</td>
<td>17.45</td>
<td>31-Mar-00</td>
<td>100.0%</td>
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</tr>
<tr>
<td>Transport programme.</td>
<td>ADF</td>
<td>1-Dec-92</td>
<td>17-Jan-94</td>
<td>23.95</td>
<td>13-Jan-94</td>
<td>100.0%</td>
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<td>Pemba-montepeuz road rehabilitation</td>
<td>ADF</td>
<td>25-Jan-97</td>
<td>29-Dec-00</td>
<td>26.00</td>
<td>13-Jun-01</td>
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<tr>
<td>Transport Completed</td>
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<tr>
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<td>TAF</td>
<td>15-Dec-99</td>
<td>31-Mar-00</td>
<td>0.80</td>
<td>7-Jul-00</td>
<td>40.7%</td>
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</tr>
<tr>
<td>Vanduzi-changara road rehabilitation project</td>
<td>ADF</td>
<td>15-Dec-99</td>
<td>31-Mar-00</td>
<td>16.79</td>
<td>11-Aug-00</td>
<td>45.0%</td>
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</tr>
<tr>
<td>Road transport studies</td>
<td>TAF</td>
<td>17-May-00</td>
<td>31-Dec-02</td>
<td>1.61</td>
<td>13-Jun-01</td>
<td>78.6%</td>
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</tr>
<tr>
<td>Roads rehabilitation and upgrading project</td>
<td>ADF</td>
<td>8-Dec-00</td>
<td>25-Sep-97</td>
<td>25.01</td>
<td>9-Jan-98</td>
<td>44.5%</td>
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</tr>
<tr>
<td>Transport On Going</td>
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<td></td>
<td></td>
<td>44.21</td>
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</tr>
<tr>
<td>Transport Total</td>
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<td>129.66</td>
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<td>79.5%</td>
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</tr>
<tr>
<td>Montpuez Lichinga Road project</td>
<td></td>
<td></td>
<td></td>
<td>35.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Montpuez Lichinga Road project</td>
<td></td>
<td></td>
<td></td>
<td>35.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Sup/Sanit</td>
<td></td>
<td></td>
<td></td>
<td>10.00</td>
<td></td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td>Water Sup/Sanit Completed</td>
<td></td>
<td></td>
<td></td>
<td>10.00</td>
<td></td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td>Maputo water supply</td>
<td>ADB</td>
<td>27-Oct-81</td>
<td>10-Nov-82</td>
<td>Completed</td>
<td>0.03</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Sup/Sanit Completed</td>
<td></td>
<td></td>
<td></td>
<td>10.00</td>
<td></td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td>District centers water supply rehabilitation</td>
<td>TAF</td>
<td>9-Sep-98</td>
<td>3-Sep-99</td>
<td>1.80</td>
<td>28-Feb-00</td>
<td>45.7%</td>
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<tr>
<td>Maputo water supply augmentation project</td>
<td>TAF</td>
<td>17-Jun-99</td>
<td>29-Feb-00</td>
<td>2.16</td>
<td>31-Jul-06</td>
<td>0.0%</td>
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<tr>
<td>Maputo water supply augmentation project</td>
<td>ADF</td>
<td>17-Jun-99</td>
<td>29-Feb-00</td>
<td>17.50</td>
<td>31-Jul-06</td>
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<tr>
<td>Integrated water supply and sanitation project</td>
<td>TAF</td>
<td>8-Dec-00</td>
<td>29-Aug-01</td>
<td>1.00</td>
<td>30-Jun-07</td>
<td>0.0%</td>
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<tr>
<td>Integrated water supply and sanitation project</td>
<td>ADF</td>
<td>8-Dec-00</td>
<td>29-Aug-01</td>
<td>15.77</td>
<td>30-Jun-07</td>
<td>6.4%</td>
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<tr>
<td>Urban water supply, san.&amp; inst. support</td>
<td>TAF</td>
<td>20-Dec-02</td>
<td>17-Dec-03</td>
<td>2.31</td>
<td>31-Dec-07</td>
<td>0.0%</td>
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<tr>
<td>Urban water supply, san.&amp; inst. support</td>
<td>ADF</td>
<td>20-Dec-02</td>
<td>17-Dec-03</td>
<td>19.06</td>
<td>31-Dec-07</td>
<td>0.0%</td>
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<tr>
<td>Water Sup/Sanit On Going</td>
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<td></td>
<td></td>
<td>59.60</td>
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<tr>
<td>Water Sup/Sanit Total</td>
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<td>69.60</td>
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<td>Rural Water Supply &amp; Sanitation Initiative</td>
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<td></td>
<td></td>
<td>40.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural Water Supply &amp; Sanitation Initiative</td>
<td></td>
<td></td>
<td></td>
<td>10.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Island of Mozambique project with UNESCO</td>
<td>PS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural Water Supply &amp; Sanitation Initiative</td>
<td></td>
<td></td>
<td></td>
<td>50.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grand Total</td>
<td></td>
<td></td>
<td></td>
<td>902.31</td>
<td></td>
<td>72.7%</td>
<td></td>
</tr>
<tr>
<td>Grand Total On Going</td>
<td></td>
<td></td>
<td></td>
<td>343.79</td>
<td></td>
<td>34.7%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>168.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>168.00</td>
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<td></td>
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</table>
## ANNEX III

### Provisional List of Goods and Services

<table>
<thead>
<tr>
<th>Category of Expenditure</th>
<th>(UA'000)</th>
<th>Co-financiers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Foreign Exchange</td>
<td>Local Costs</td>
</tr>
<tr>
<td>Vehicles</td>
<td>46.0</td>
<td>-</td>
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<tr>
<td>Equipment</td>
<td>23.8</td>
<td>6.0</td>
</tr>
<tr>
<td>Training</td>
<td>712.9</td>
<td>1,060.2</td>
</tr>
<tr>
<td>Studies</td>
<td>62.9</td>
<td>66.4</td>
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<tr>
<td>Technical Assistance</td>
<td>360.1</td>
<td>0</td>
</tr>
<tr>
<td>Matching Grant</td>
<td>32.2</td>
<td>33.9</td>
</tr>
<tr>
<td>Recurrent Costs</td>
<td>91.2</td>
<td>311.0</td>
</tr>
<tr>
<td>Total Cost</td>
<td>1,327.9</td>
<td>1,477.5</td>
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</table>
ANNEX IV

MOZAMBIQUE

Women’s Entrepreneurship Development for Food Security: Pilot Project

TENTATIVE IMPLEMENTATION PLAN

<table>
<thead>
<tr>
<th>Activity</th>
<th>Period</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Grant Approval</td>
<td>19 October 2005</td>
<td>ADF Board</td>
</tr>
<tr>
<td>2 Grant Signature</td>
<td>November 2005</td>
<td>ADF/GOM</td>
</tr>
<tr>
<td>3 Identify and Depute PMT Members</td>
<td>December 2004/ January 2005</td>
<td>EA</td>
</tr>
<tr>
<td>4 Set Up Project Steering Committee and hold 1st Meeting</td>
<td>December 2004/ January 2005</td>
<td>GOM</td>
</tr>
<tr>
<td>5 Open Special Account</td>
<td>February 2005</td>
<td>EA</td>
</tr>
<tr>
<td>6 Grant Disbursement Effectiveness</td>
<td>February 2005</td>
<td>ADF</td>
</tr>
<tr>
<td>7 Project Launching</td>
<td>February 2005</td>
<td>ADF/GOM</td>
</tr>
<tr>
<td>8 Develop and Finalise Procurement Plan and Documents</td>
<td>March – May 2005</td>
<td>EA/ Procurement expert</td>
</tr>
<tr>
<td>9 Develop Training Programme</td>
<td>March – May 2005</td>
<td>PMT/TAs/ Manica, Tete, Sofala, and Gaza Provincial administration</td>
</tr>
<tr>
<td>10 Develop Reporting, M&amp;E Arrangements</td>
<td>March – May 2005</td>
<td>PMT/M&amp;E Specialist</td>
</tr>
<tr>
<td>11 Develop and Finalise Training Plan</td>
<td>April 2005</td>
<td>PMT/TAs/ Manica, Tete, Sofala, and Gaza Provincial administration</td>
</tr>
<tr>
<td>12 Procure goods and equipment</td>
<td>April 2005</td>
<td>PMT</td>
</tr>
<tr>
<td>13 Implement provincial and district level activities</td>
<td>April 2005 - continuous</td>
<td>PMT/TAs/ Manica, Tete, Sofala, and Gaza Provincial administration</td>
</tr>
<tr>
<td>14 Monitoring and Reporting/Quarterly Reports</td>
<td>15 Days After end of Each Quarter</td>
<td>EA/PMT</td>
</tr>
<tr>
<td>15 Audit Report</td>
<td>6 Months end of Each Financial Year</td>
<td>EA</td>
</tr>
<tr>
<td>16 Project Completion Report</td>
<td>December 2009</td>
<td>EA and ADF</td>
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</tbody>
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# ANNEX V

## STATUS OF AUDITS AND PROJECT COMPLETION REPORTS IN MOZAMBIQUE (JULY 2005)

### Status of Outstanding PCRs

<table>
<thead>
<tr>
<th>Country</th>
<th>Operation Title</th>
<th>Final submission of the report to the Director</th>
<th>Planned communication to the Country</th>
<th>Final submission to the Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mozambique</td>
<td>Mafambisse Sugar Rehabilitation Project</td>
<td>17-May-05</td>
<td>24-May-05</td>
<td>May-2005</td>
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</table>

### AUDIT REPORTS RECEIVED FROM 15.12.2003

<table>
<thead>
<tr>
<th>Project</th>
<th>Date of Approval.</th>
<th>Date of Effectiveness</th>
<th>Years Audit Reports Submitted from 15.12.2003</th>
<th>Nº of financial years covered</th>
<th>Comments</th>
<th>Nº of reports</th>
<th>Date Receiving</th>
</tr>
</thead>
<tbody>
<tr>
<td>Massingir Dam Development</td>
<td>24-Nov-93</td>
<td>30-Jun-96</td>
<td>1997, 1998, 1999, 2000, 2001 and 2002</td>
<td>6</td>
<td>2 Audit Reports received: the First Audit report for the project related to 5 financial years from 1997 to 2001 has been submitted on 22/12/2003. The second Audit report covering 01/01 to 31/12/2002 has been submitted on the same date 22/12/2003.</td>
<td>2</td>
<td>22-Dec-03</td>
</tr>
<tr>
<td>Massingir Dam Development</td>
<td>24-Nov-93</td>
<td>30-Jun-96</td>
<td>2003</td>
<td>1</td>
<td>Audit Report for financial year ended 31.12.2003 was received on 08.07.2004</td>
<td>1</td>
<td>8-Jul-04</td>
</tr>
<tr>
<td>Small-scale Irrigation Project</td>
<td>2-Dec-98</td>
<td>29-Oct-99</td>
<td>2003</td>
<td>1</td>
<td>Audit Report covering 2003 is received on 04.08.2004</td>
<td>1</td>
<td>4-Aug-04</td>
</tr>
</tbody>
</table>
ANNEX VI

HIGHLIGHTS OF THE PROJECT REVIEW PROCESS

1. Project Identification: In November/December 2003, a Bank team from ONAR was on mission to conduct the Mozambique Multi-sector Country Gender Profile. During discussions with the GOM on the preliminary findings of the mission, the GOM through MMAS identified the need for a rural poverty reduction intervention for ensuring rural food security amongst female heads of households and those affected by HIV/AIDS. In February 2004, the GOM followed up with a brief project identification report concerning the rural poverty reduction intervention and requested the Bank to consider it for funding.

2. Project Preparation: mission was undertaken in April 2005, by a team comprising the ONAR Gender Specialist who has academic background and skills in small entrepreneurship promotion and development, as well as an Agricultural Economist, for a period of two weeks. The mission visited Mozambique and consulted with government, rural farmers and women’s groups, donors, civil society, and NGOs and other stakeholders on the priority constraints and needs of the project’s target beneficiaries and sought and obtained their views on how to best to articulate them in project document. The GOM was found to be well prepared in its ideas for inclusion and consideration in the project document. Furthermore, both the donor representatives and civil society stressed the importance and the urgency for the project as the rural food insecurity was having an increasingly negative. A project preparation report was finalized and duly reviewed according to Bank Review Procedures, after which it was recommended that an appraisal mission be mounted.

3. Project Appraisal: mission was mounted in June 2005 by the same team of ONAR Gender Expert and Agricultural Economist. The mission conducted further in-depth consultations with farmers and visited the proposed project sites in the Manica and Sofala provinces, respectively. The document has been reviewed by thoroughly according to the Bank Review Procedures.
Annex
1. In accordance with the strategy of the Bank to support women’s empowerment for food security in a progressive manner, the above cited Board Memorandum has been updated. After close consultation with the Government of Mozambique, through the Ministry of Development Planning, the Bank of Mozambique, and the Ministry of Women and Social Action, the purpose of this addendum is to confirm that the proposed project remains unchanged in its relevance to Mozambique’s economic development and food security objectives, strategies for ensuring women’s empowerment in the agriculture sector, and its overall contribution to the country’s poverty reduction targets.

2. The Agriculture Sector Gender Mainstreaming Strategy and Action Plan targets an increased role for rural women in agro-processing and the proposed project is a collaborative effort between the Bank and the Ministry of Agriculture to operationalise this strategic commitment. The National Policy and Strategy on Gender as well as the National Action Plan for Women’s Advancement have outlined the need to alleviate the increased economic and social burden on poor female headed households due to eroding food security coupled with the effects of HIV/AIDS on deterioration of standards of living. In this sense, the proposed project is in line with the national priorities on diversification of skills of rural agriculture households with a view to ensure disposable income throughout the year.

3. In light of the fact that the GOM gender and development priorities as well as gender mainstreaming and food security strategies remain unchanged, the proposed Project components and related activities continue to remain relevant. The National Directorate for Women under the Ministry of Women and Social Action continues to be the Government agency responsible for overseeing and implementing gender specific development interventions. In this regard, the executing agency and the implementation arrangements remain unchanged. It is also to be noted that project activities, the financing arrangements and the original cost estimates all remain the same as envisaged at appraisal.